

A N N U A L R E P O R T 2 0 1 4

SFL

SOCIETE FONCIERE LYONNAISE

Primed for action

06

PERFORMANCE



28

RESEARCH  
& INNOVATION



48

OPERATIONS  
2014



18

BUSINESS  
MODEL



40

PROPERTY  
PORTFOLIO



€4,466 M

Portfolio value excluding  
transfer costs

€151.5 M

Rental income

33.4%

Loan-to-value

€49.4

EPRA NNAV  
per share

394,000 sq.m.

Property portfolio

79%

CBD

80%

Offices

100%

Assets certified  
BREEAM In-Use

**E**stablished in 1879, SFL is the oldest real estate company in France. Nowadays, SFL is a listed property investment company (SIIC) and the leader on the prime segment of the Parisian office market, with a portfolio worth almost €4.5 billion, 93% of which is located in the heart of Paris. Our ‘pure player’ strategy consists of buying assets that reinforce our leadership position, then enhancing their qualities by transforming them into effective work environments and developing the value proposition they offer our clients, as well as providing faultless service, for as long as we own them. Our client portfolio brings together prestigious, high-end companies that are active in the consulting, media, digital, luxury, finance and insurance sectors. Their needs lie at the heart of our business model. Our demanding and ambitious prime positioning depends on specific savoir-faire and detailed knowledge of our market, our assets, our clients, and their professional environment. As an integrated real estate specialist, this is our focus every day and we are proud to have obtained strong results again this year. Our ambition is founded on 135 years of history and looks to a future that must forever be reinvented...

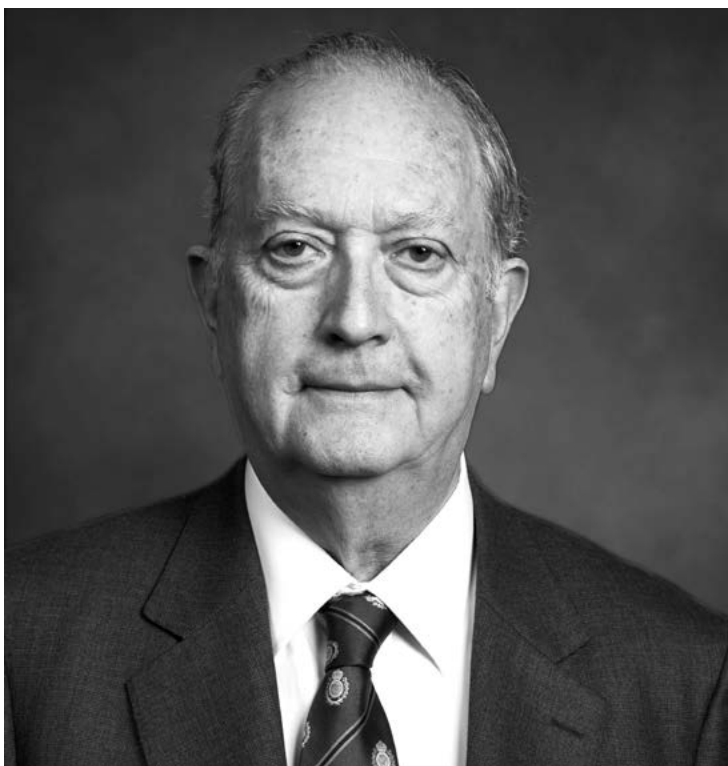
“

In a market that changes more and more quickly, we are primed for action, ready to adapt and respond to the demands of our clients.

”

# Joint interview

with the Chairman of the Board  
and the Chief Executive Officer



Juan José Brugera Clavero,  
Chairman of the Board of Directors

2014 WAS A BUSY YEAR FOR SFL. HOW  
WOULD YOU SUM UP YOUR ACTIVITIES?

**J.J.B.C.:** SFL saw its shareholding base stabilise and consolidate in 2014: Colonial maintained control and a number of minority shareholders departed, which enabled Qatari funds to take their place and Predica to reinforce its stake. The management of our company also changed during the year with the departure of Bertrand Julien-Laferrière in July. In this context, the Board of Directors reaffirmed its commitment to our strategy as the leading real estate company on the prime office sector in Paris and chose to entrust the implementation of this strategy to the existing team, which has proved itself to be highly dynamic and proactive, nominating Nicolas Reynaud as Chief Executive Officer and Dimitri Boulte as Managing Director.

**N.R.:** It is true that 2014 was a year of consolidation for SFL in many respects. After several years of major investments to restructure and upgrade our property portfolio, we are now in a position to reap the benefits. In particular, the leases and pre-leases that we have concluded in 2014, at rents that have remained stable even though the rental market continued to be difficult and selective, show that our portfolio of offices is perfectly aligned with the requirements of our very demanding clientele. It also proves the relevance of our integrated real estate model, which enables us to deliver all of the skills required throughout the lifespan of a building.

“

After several years of major investments to restructure and upgrade our property portfolio, we are now in a position to reap the benefits.

”

At the same time, we have optimised our debt structure by reinforcing our liquidity and extending its average maturity. The sale of our stake in SIIC de Paris also helped to enhance our investment capacity, as evidenced by the acquisition of Condorcet, the headquarters of GrDF, in December 2014.

#### WHAT CHALLENGES DOES SFL FACE IN THE COMING YEARS?

**J.J.B.C.:** In a Parisian investment market that is highly competitive due to its popularity with investors, and having carried out extensive work on its existing portfolio, SFL must find new sources of growth and value creation. In particular, the acquisition of buildings or portfolios that are consistent with the positioning and the strategy of the group remains a core element in SFL's strategy.

**N.R.:** Our teams continue to pour their energy into major operational projects. The leasing of In/Out at Boulogne and of #cloud.paris, beside the Stock Exchange, two high-profile developments that exemplify SFL's savoir-faire in the redevelopment of major office complexes, are key challenges for 2015. In the medium to long term, we are also committed to the ongoing transformation and upgrade of assets in our portfolio which, by virtue of their positioning and their inherent characteristics, still offer significant untapped potential.



Nicolas Reynaud,  
Chief Executive Officer



# Management team



FABIENNE  
BOILEAU  
Chief Financial  
Officer



DIMITRI  
BOULTE  
Managing  
Director,  
Chief Operating  
Officer



FRANÇOIS  
DERRIAN  
Human  
Resources  
Director



AUDE  
GRANT  
Director  
of Transactions  
and Business  
Strategy



FRANCK  
MORIN  
Property  
Management  
Director



# Governance



NICOLAS  
REYNAUD

Chief Executive  
Officer



FRANOIS  
SEBILLOTTE

Chief  
Resources Officer,  
Secretary  
to the Board

ERIC  
OUDARD

Technical and  
Development  
Director



## Board of Directors

Chairman: Juan Jos BRUGERA CLAVERO  
Directors: Pere VIÑOLAS SERRA (Vice-chairman)  
Angels ARDERIU IBARS, Jacques CALVET,  
Anne-Marie DE CHALAMBERT, Jean-Jacques DUCHAMP,  
Chantal DU RIVAU, Carlos FERNANDEZ-LERGA GARRALDA,  
Carmina GAÑET CIRERA, Carlos KROHMER,  
Luis MALUQUER TREPAT, Anthony WYAND,  
Reig Capital Group Luxembourg Sarl (represented  
by Carlos ENSENAT REIG)

## Audit Committee

Chairman: Carlos FERNANDEZ-LERGA GARRALDA  
Members: Jacques CALVET, Jean-Jacques DUCHAMP

## Remuneration and Selection Committee

Chairman: Anthony WYAND  
Members: Anne-Marie DE CHALAMBERT, Pere VIÑOLAS SERRA

## Executive and Strategy Committee

Chairman: Juan Jos BRUGERA CLAVERO  
Members: Jean-Jacques DUCHAMP, Carmina GAÑET CIRERA,  
Pere VIÑOLAS SERRA

## Committee of Independent Directors

Members: Jacques CALVET, Anne-Marie de CHALAMBERT,  
Anthony WYAND

Composition of the Board of Directors and Advisory Committees on 11 February, 2015

# PERFORMANCE

Tangible, Coherent, Rewarding





Entrance hall, Édouard VII

## FINANCE

## Issue of a bond

With a view to reinforcing its liquidity and extending the average maturity of its debt, SFL issued a €500-million bond with a term of seven years and a coupon of 1.875%. Immediately thereafter, the company launched a tender offer for two public bonds maturing in May 2016 and November 2017 for a nominal amount of €300 million.



## LEASING

## A busy year

In a market that remained tight, SFL injected some life into the CBD sector by leasing more than 30,000 sq.m. of surfaces. Among the finest deals were the pre-leasing of 7,500 sq.m. of offices in the Louvre Saint-Honoré to Fast Retailing, the pre-leasing of 5,700 sq.m. of offices in 90 Champs-Élysées to a major international consulting firm, and two contracts for large work spaces in the Cézanne Saint-Honoré. The occupancy rate, excluding properties undergoing renovation, stood at 87.1% at the close of 2014 compared to 82.0% a year earlier.



## INAUGURATION

## Hotel Indigo

The first Hotel Indigo (InterContinental Hotels Group – IHG) in France opened in October at the Édouard VII, an outstanding location in the 9<sup>th</sup> *arrondissement* which is a unique Parisian neighbourhood in its own right by virtue of its size (54,100 sq.m.) and diversity of uses. The Indigo Paris Opéra is a boutique hotel with 57 rooms, including seven duplex suites, a restaurant and a wine bar.



## Highlights





## DIVESTMENT

Stake in  
SIIC de Paris

SFL sold its 29.63% stake in the capital of the SIIC de Paris real estate holding in July. This operation enabled SFL to improve its debt ratios and significantly increase its investment capacity.

## LAUNCH

1<sup>st</sup> edition of  
Paris WorkPlaceDELIVERY  
Washington Plaza

After two years of modernisation works, the Washington Plaza has been reinvented and given a brand new look. Visitors are welcomed in a new, larger entrance lobby that opens on to the avenue de Friedland, and employees benefit from convivial, functional, comfortable shared spaces that invite them to exchange ideas, work and communicate. The service offering has also been optimised and expanded to reflect this upgrade and better meet our clients' expectations.

(Learn more about this project on p.12)



For the first time, the Workplaces of Metropolitan Greater Paris thinktank, a unique research body set up at SFL's initiative, published the results of a study into office real estate: Paris WorkPlace 2014. This research was conducted in partnership with the IFOP polling organisation and contrasts the perceptions of senior managers working in Paris and its environs with those of corporate executives. (See the results of the study on p.32).

ACQUISITION  
Condorcet

The longstanding headquarters of GrDF on rue Condorcet in the 9<sup>th</sup> *arrondissement* entered the SFL portfolio. This transaction, concluded with Blackstone Real Estate Partners Europe III at a cost of €230 million, relates to a real estate complex of approximately 25,000 sq.m. Located in the immediate vicinity of the Gare du Nord and enjoying excellent public transport links, the site is fully leased for a ten-year fixed term and is a perfect example of the type of asset sought by SFL.

(Learn more about this transaction on p.10).

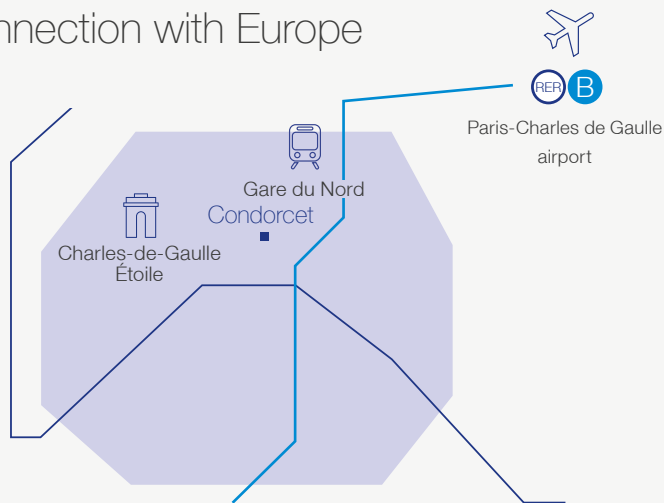
# Acquisition

## Condorcet, an outstanding Parisian complex 100% secured

In 2014, we reinforced our leadership position on the prime segment in Paris. This was illustrated by our acquisition of Condorcet, one of the outstanding Parisian office complexes that came on the market in 2014, which we purchased from Blackstone. This €230-million investment relates to an asset of almost 25,000 sq.m. and enables SFL to reinforce its position in an up-and-coming sector of the CBD in the 9<sup>th</sup> *arrondissement*, in the immediate vicinity of the Gare du Nord, the largest station in Paris in terms of passenger numbers (200 million per year). The

neighbourhoods around the Gare du Nord and Gare de l'Est stations constitute a considerable employment catchment area and the zone is becoming increasingly attractive to companies, particularly international companies that appreciate its direct connections with the rest of Europe. This accretive investment enables SFL to welcome a first-class tenant into its client portfolio, GrDF having confirmed their presence for the next ten years, and offers us attractive redevelopment opportunities over the longer term on a site of more than 10,000 sq.m., dimensions that are unique in Paris.

### A direct connection with Europe



GrDF  
SOLE OCCUPIER

24,900 sq. m.  
FLOOR AREA

10 years  
FIXED-TERM LEASE

2¼ HOURS  
TO LONDON

40 MINUTES  
TO PARIS-CDG AIRPORT

25 MINUTES  
TO CHARLES-DE-GAULLE-ÉTOILE





## Strategy by SFL

“As the Parisian specialist in large, high-quality business complexes, we want to consolidate our position by acquiring large buildings in established and up-and-coming business districts, in order to transform them into buildings that provide outstanding quality in terms of their architecture, functionality and service offering.”

AUDE GRANT,  
Director of Transactions  
and Business Strategy



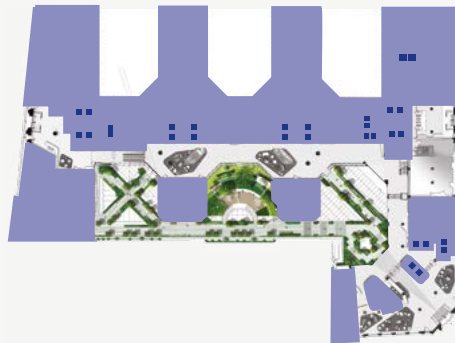
# Development

## Washington Plaza, the reinvention of a real estate complex

SFL has continued to redevelop its Parisian properties to respond to new working practices among its clientele and improve the functionality of their work spaces. Washington Plaza is an excellent example of this approach. Delivered in 2014 after two years of works on a site that remained operational throughout, we have entirely revised the access, the calibre and the internal functioning of this exceptionally large property in the centre of Paris. We have created a main entrance lobby which opens onto the avenue Friedland and is of suitable dimensions to welcome the clients and visitors of major national and international companies. We have also simplified the routes through the building that provide access to the various lobbies and services of the five buildings that make up the complex. The 120-metre long gallery created

for this purpose revisits our expectations of a typical office and borrows from hotel design in the way it encourages interactions and improves the efficiency and well-being of our tenants and their employees. It opens onto a private interior garden. The offices are optimised in terms of floor space and technical performance to promote more harmonious working practices. Prime services include a larger selection of dining options and a concierge service. Finally, in a market where high quality products are rare, the redevelopment programme for Washington Plaza's shared spaces supports the outstanding results already achieved by the property and SFL's headquarters under the BREEAM certification scheme. The building was singled out as winner of the category 'BREEAM Offices In-Use' at the BREEAM Awards 2015.

— Upgraded shared spaces



47,100 sq.m.  
FLOOR AREA

900 to 2,200 sq.m.  
PER FLOORPLATE

12 sq.m.  
WORK SPACE PER PERSON





## MÉMOIRES CONTEMPORAINES 4

Our close relationships with artists and craftspeople are highlighted by the aesthetics, functionality, design and modern art of this transformative project. As part of the 'Mémoires Contemporaines' programme and to mark the conclusion of the renovation works, Washington Plaza's new interior gallery welcomes a creation by the artist Guy Limone.



## Strategy by SFL

"Thanks to strategic redevelopment programmes, we are repositioning our portfolio on high-class assets that offer a strong value contribution to our clients. At the same time, we provide support to our investment team during preliminary studies, ensuring that assets are consistent with this positioning or have the potential to reach that standard through redevelopment."

ÉRIC OUDARD,  
Technical and Development  
Director

# Repositioning

## Édouard VII: the upgrade of a historic site

We took advantage of the departure of Allen & Overy in 2012 to review the positioning of the Édouard VII, a property which hosts a variety of real estate activities including housing, shops, offices, theatres, a hotel and a conference centre. We carried out modernisation and upgrade works in a series of overlapping projects: 7,000 sq.m. of offices were renovated to optimise their functionality and improve landscaped areas, all of the shared office lobbies were renovated using more modern materials, the dining area and the dining options available were transformed to reflect new trends, and the positioning of the hotel was upgraded through the renovation of the space and a change in operator, with the

management of the site now entrusted to the Intercontinental Group. Other ideas are being considered and should be implemented during 2015, such as the modernisation of the conference centre and the redesign of the pedestrianised street to make it more lively. In a rapidly-evolving business like ours it is extremely important to ask hard questions about the quality and obsolescence of assets. This upgrade of the Édouard VII has, for example, convinced Klépierre, a major player in commercial real estate, to sign a 9-year fixed-term lease for the 7,000 sq.m. that have just been renovated, and Ashurst, a client since 2005, to renew their lease for a fixed term of nine years.



Philippe None,  
Ashurst

“ Our real estate strategy is to provide our employees and our clients with a high-quality working environment, both in terms of office location and the provision of facilities and services. We decided to renew our lease with SFL because these criteria were met and the financial aspects made sense. Our relationship with SFL's teams is based on trust and respect, and we appreciate their ability to listen to us and adapt accordingly. ”





28,100 sq.m.  
OF OFFICE SPACE

1  
CONFERENCE CENTRE

2  
THEATRES

19  
SHOPS

57  
4-STAR HOTEL ROOMS

60  
APARTMENTS



## Strategy by SFL

“Édouard VII illustrates how we improve our properties: a mid-range, functional hotel has been transformed into a boutique hotel that has enjoyed extremely high occupancy rates since it opened, 7,000 sq.m. of offices have been renovated and leased to Klépierre as its headquarters, high-quality service areas have been created for clients, exterior spaces have been enhanced by the installation of artworks by Varini and by a design project on the interior street.”

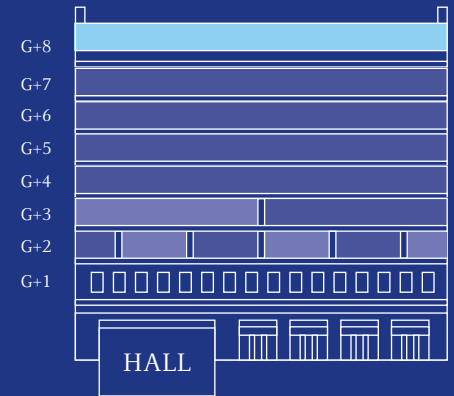
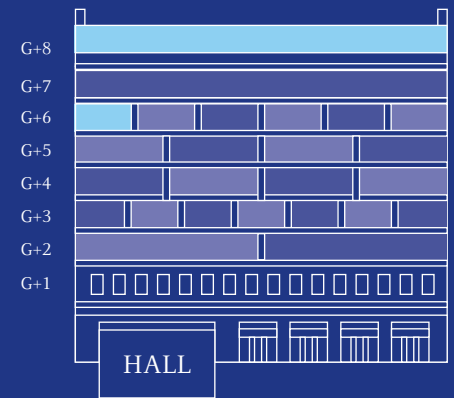
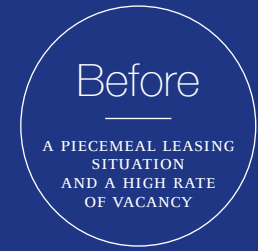
FRANCK MORIN,  
Property Management  
Director

# Leasing

## 90 Champs-Élysées, an asset achieves its potential

A project of this complexity and ambition could only be delivered through coordinated teamwork by all of SFL's operating teams. Once the potential to create value had been identified, the main constraint was that all of the floors in this building were fully or partially occupied. Some clients decided to stay and were relocated to an entirely renovated floorplate. Their satisfaction at this point confirmed the quality of the improvements that had been made and our ability to undertake the works in a functioning building within a particularly tight timeframe. Repurchasing a division within the co-ownership also made it possible to rationalise the floor areas to create large floorplates of 1,200 sq.m. The asset stands out for its innovative radiant ceiling technology, the flexibility of its workspaces, its 'Good'

rating under the BREEAM Refurbishment certification scheme, and the high-quality, modern design of its shared areas. Another challenge was the negotiation of a pre-lease on 6,000 sq.m. of offices with a major management consulting company for a term of at least nine years. They were attracted by the building's location on the Champs-Élysées, the sensible configuration of the floorplates, and the terrace with its view of the Eiffel Tower. The pre-leasing proposed a turnkey solution to a prestigious main tenant and enabled this client to obtain a high-quality product while controlling the renovation costs (-5%), optimising the timeframe and preparing in advance for any issues associated with relocation and operations. The building will be delivered in April 2015.





3D images of the project



1,200 sq.m.  
PER FLOORPLATE

690 to  
720 €/sq.m.  
RENT

24 months  
PROJECT DURATION

8,700 sq.m.  
AREA RENOVATED



## Strategy by SFL

“SFL is the sole intermediary for its clients throughout their presence in the building: from leasing, works and redevelopment teams who work closely with the tenant to undertake any renovation or restructuring projects that might be required prior to arrival, to the property management team who manage the client relationship and any property upgrades that become necessary as the client’s real-estate needs evolve.”

**PIERRE-FRANÇOIS CHIAPPONI,**  
Sales Director

# BUSINESS MODEL

Inspired, Expert, Efficient





# Our playground

## The Parisian business districts

As the leader on the prime Parisian office segment, SFL identifies buildings, or even portfolios, that could be targets for acquisition. These properties must be coherent with its real estate strategy: major Parisian complexes, in established or up-and-coming business districts, with short-, medium- or long-term potential to improve the building itself (renovation, extension, etc.) or its leasing situation.

394,000 sq.m.

Property portfolio

€4,466 M

Portfolio value excluding transfer costs

93%

Paris  
(of which 79% CBD)

87.1%

Occupancy rate

## The major advantages of Paris

### GLOBAL CONNECTIONS

Paris sits at the heart of the largest market in the world: the European Union and its **500 million consumers**.

### BUSINESS DESTINATION

Paris is the world capital for trade shows, conventions and professional conferences, with **9.2 million visitors per year**.

Source: Paris Convention and Visitors Bureau, 2013

### CENTRE OF POWER

Paris is a popular city for international companies and organisations to establish their headquarters, **the top ranked European location for the headquarters of Fortune 500 companies and in third place worldwide**.

Source: Fortune 500, 2013

### QUALITY OF LIFE

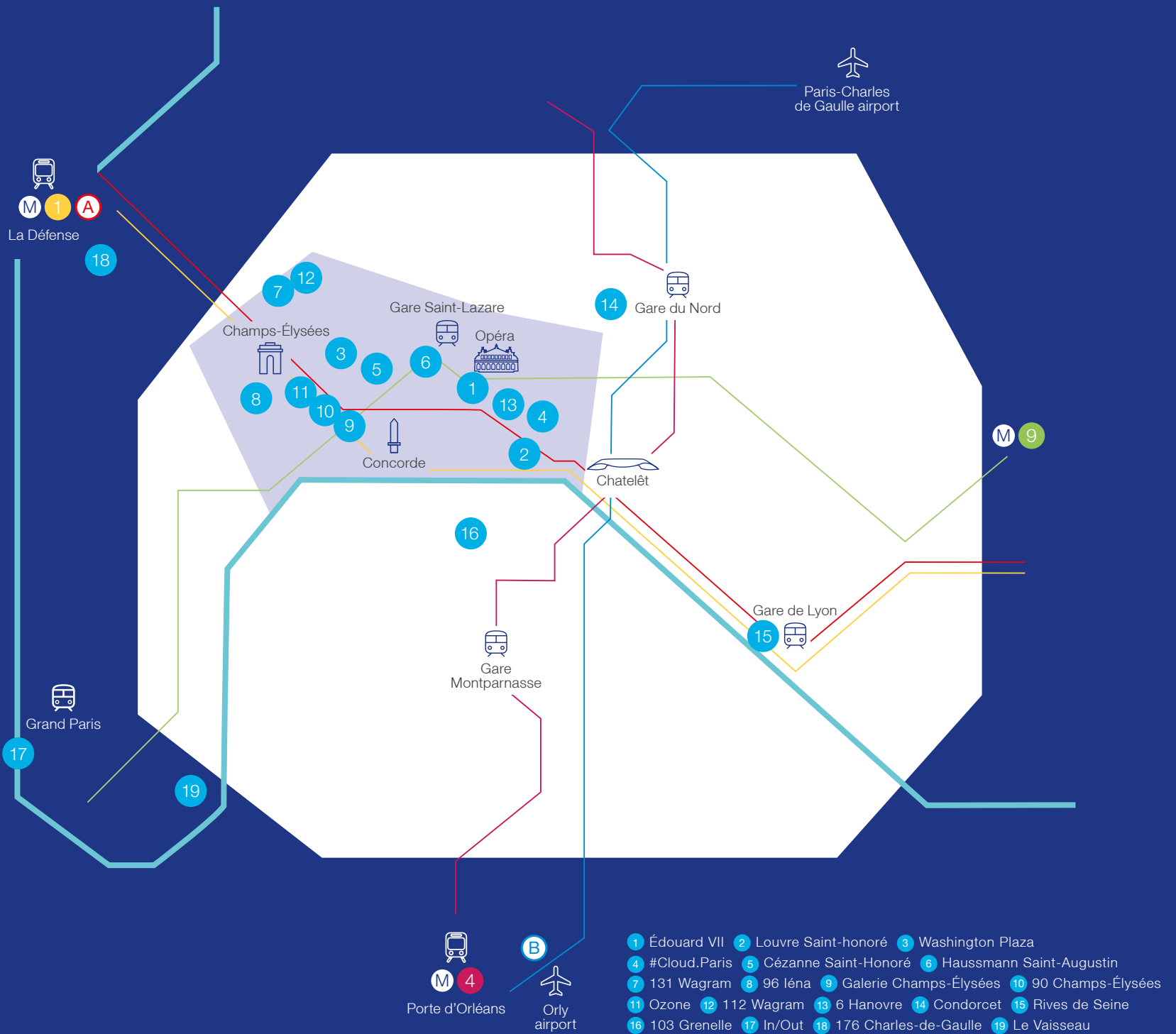
Paris ranks **first among the world's cities in terms of quality of life** and offers some of the most vibrant cultural and artistic opportunities on the planet.

Source: Cities of Opportunities, PWC 2012

### HUMAN RESOURCES

Paris is a hotbed of recognised and sought-after talents, with a skilled workforce of 5.6 million. It ranks **third in the world in terms of intellectual capital and second for innovation**, ahead of New York and London.

Source: Cities of Opportunities, PWC 2012





# Our DNA

## Integrated prime real estate specialist in the Parisian office sector

SFL's operational structure is tightly focused around four divisions. This enables it to harmonise all of its operating teams around an integrated approach to value creation and asset management, and reinforce its status as an expert on the prime Parisian office sector that places the client at the heart of its value-creation approach.



### INVESTMENT

The investment division identifies properties, or even portfolios, that match SFL's real-estate strategy and are suitable for acquisition, and sells mature assets once the value-creation process has been completed. It focuses on major Parisian complexes, in established or up-and-coming business districts, with short-, medium- or long-term potential to improve the building itself (renovation, extension, etc.) or its leasing situation. The whole of the acquisition process is conducted in-house as SFL possesses all of the legal, real estate, technical and financial skills required to undertake them successfully.

€230 M

Investment in Paris in 2014



### DEVELOPMENT

Transform and manage the technical performance of properties. Feasibility studies, scheduling, design, administrative permits and the delivery of major projects are central elements of the team's mission. They also help with sourcing and growth by analysing opportunities and managing the technical, architectural, regulatory and environmental aspects of the due diligence process.

€118 M

Improvement works undertaken on the SFL portfolio in 2014





## ASSET MANAGEMENT

The division adds value to properties throughout their presence in SFL's portfolio and at all stages of the process. During the acquisition, at the right market value. Helping our clients obtain high-quality work spaces and guiding changes that reflect their evolving needs. Optimising the performance of our assets in terms of their quality and service charges. Proposing a full service offering to the people who occupy our buildings. Renovating certain buildings to create prime properties that meet the expectations of major clients. When relevant, during the disposal of mature buildings.

9.5%

Growth in appraisal values during 2014



## PROPERTY MANAGEMENT

This broad and fundamental mission extends from basic management through to the development of genuine client relationships. The goal: to support our clients from the initial lease discussions and throughout every stage in their lease. This means listening to them, understanding their needs, winning their loyalty, and doing everything possible to support their development. In addition, the division helps to draw up various budgets and takes responsibility for the implementation of the value-creation strategy set out during the budget process.

87.1%

Occupancy rate



# Our model

A global approach to make the most of our assets and our company

Thanks to our integrated real-estate model and specialist focus on a niche sector, we have successfully developed extensive expertise in a sector that we understand perfectly. This 'pure player' strategy enables us to manage every link in the value chain, optimise our performance at each stage and, as a result, deliver returns over the medium term.

“

SFL is an integrated operator, able to intervene at every stage in the real-estate value creation chain with dedicated resources and the requisite skills.

”

**DIMITRI BOULTE,**  
Managing Director,  
Chief Operating Officer

3D image of the project #cloud.paris





## Our fundamentals

1

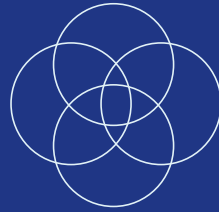
### Integrated expertise

INVESTMENT, DEVELOPMENT, ASSET MANAGEMENT, PROPERTY MANAGEMENT

4

### Local relationships

CLIENTS, PARTNERS, SERVICE PROVIDERS,  
LOCAL AUTHORITIES



2

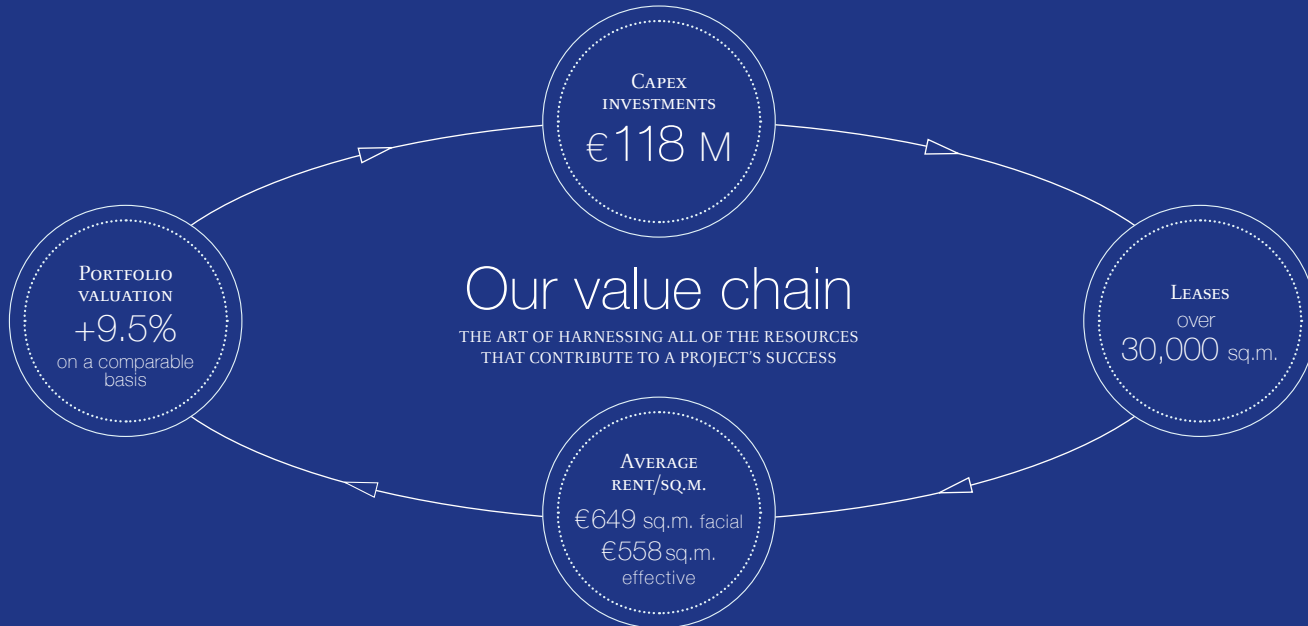
### Prime assets

LOCATION/ACCESSIBILITY, CERTIFICATIONS,  
QUALITY OF WORK SPACES, SERVICES...

3

### Financial stability

STRONG BALANCE SHEET, WEAK LOAN-TO-VALUE,  
CONTROLLED DEBT, COOPERATIVE MINDSET, ADVANTAGEOUS  
SIC STRUCTURE...



# Our expertise

## A tangible value contribution for our clients

In recent years, we have gradually shifted from a traditional B2B approach to a B2B2C approach that brings us closer to our clients and places them at the heart of our business model. Knowing them, understanding them and anticipating their needs is a priority for us if we are to be able to design and offer products that perform, stand out in the market, and provide a genuine value contribution. We are convinced that buildings are a management and performance resource for companies, and that they must be transformed to reflect the new working practices and demands of our clients.

## OUR 8 CLIENT FAMILIES



### LAW FIRMS

Ashurst, Bird&Bird, Freshfields,  
King & Wood Mallesons



### FINANCE/ASSET MANAGEMENT

Candriam, CCR, Cinven, Citibank,  
Comgest, GIE Cartes Bancaires,  
Natixis, Apax Partners



### FASHION AND LUXURY

GAP, Hugo Boss, H&M,  
Fast Retailing, Morgan,  
Promod, Zara



### CONSULTING

Hudson, L.E.K., Misys,  
SpencerStuart, Valtech...

## How SFL makes buildings that drive corporate performance



### INTANGIBLE ELEMENTS

Location, accessibility, size, immediate surroundings...



### TANGIBLE ELEMENTS

Quality of work spaces, natural light, services, natural elements, design of entrance lobbies and service areas, accessible terraces, connected zones...

- ▷ Image
- ▷ Well-being
- ▷ Productivity
- ▷ Recruitment appeal



### REAL ESTATE

Aberdeen Asset Management, CBRE Global Investors, Financière Rive Gauche, Klépierre, LaSalle Investment Management, Orion Capital Managers, Regus



### MEDIA/ COMMUNICATION

Facebook, Lagardère, TV5Monde, NBC Universal, Pretty Simple, l'Olympia



### INSURANCE

AG2R La Mondiale, RSA, Zurich



### OTHER

Barilla, Constellium, Dalkia, ESMA, GE Energy, GrDF, Générale de Santé, MoneyGram

RESEARCH & INNOVATION

Embodied, Appropriate, Responsible

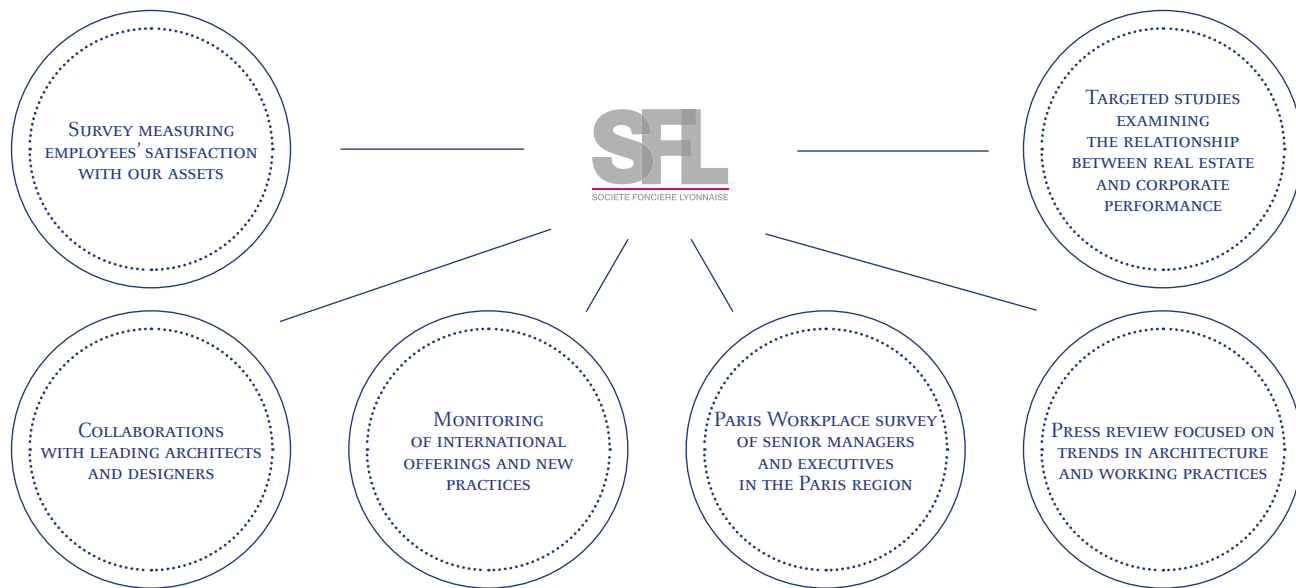




# Active in a world of innovation

In a world that is changing more and more quickly, the real estate industry – and above all the prime segment – must anticipate and adapt to new trends and new working practices. It must deliver distinctive products that stand out from the crowd and attract the interest of extremely demanding clients with an international conception of ‘best practices’. Image, well-being, attractiveness to talented staff, efficiency and productivity, in a sensitive economic context, are priorities for high value-added companies. It is necessary to observe, analyse and understand these shifts and these new requirements in order to accurately define the strategy for each asset, transform it, and design products that meet current and future demand.

## Our sources of inspiration





## Implementation of comprehensive services



## Objectives

▽  
MAXIMISE  
WORKING TIME

▽  
ENHANCE  
CORPORATE IMAGE

▽  
PROVIDE WELL-BEING  
AND COMFORT

# Paris WorkPlace 2014

Tracking changing trends in the ways executives and senior managers in Paris and its environs think about the role of office properties enables us to better understand and anticipate their current and future expectations. For that reason, we developed the Workplaces of Metropolitan Greater Paris thinktank and the Paris Workplace Index in partnership with IFOP. This unprecedented research explores the various elements that contribute to different people's opinions about their workplace and the way in which each element affects their professional and personal well-being.

## Panel and method



1,000  
SENIOR  
MANAGERS



300  
COMPANY  
EXECUTIVES

Representative of private sector companies in the Paris region with more than 50 employees, the study highlights the importance of the different aspects of the workplace (location, layout, available services), the satisfaction of management-level staff with each of these aspects, the contribution of the office to personal and professional satisfaction and corporate performance, and even the image of Paris and its environs as a location and a place to work.



85%

of executives prefer to establish their company in a mixed neighbourhood (housing, shops, offices)

## Mixed urban environments are preferred.

**Managers in the Paris region** are generally satisfied with their offices, but there are significant differences depending on the area.



76%

of managers are 'satisfied' or 'very satisfied' with their offices

The centre of Paris is seen as the ideal location to enhance corporate performance.



64%

of managers in the CBD are proud to work there.



90%

of managers think that their place of work has an impact on their well-being

Managers are far more likely than executives to think that their offices have an effect (positive or negative) on their company's performance.



36%

of managers are unhappy with a commute longer than two hours.

Dissatisfaction with the work place rises significantly if daily commuting time exceeds two hours.

Women are particularly sensitive to the location of their work place.



59%

of women think it is very important for their workplace to be secure and in a safe area

# Our approach to CSR

## The commitments of an industry leader

As a recognised leader in sustainable development, SFL is committed to ongoing improvement. The company currently ranks among the best performing companies in the real estate sector in terms of sustainable operations, improvements to quality of life, and conservation of resources.

3D image of the project







## Certified achievements

SFL systematically obtains multiple environmental certifications, at demanding standards, for all of its major redevelopment projects. Having successfully obtained BREEAM In-Use certification for 100% of our revenue-generating properties and BREEAM Construction certification for our buildings under development, 2014 saw us obtain BREEAM In-Use Part 3, at the 'Outstanding' level, for our headquarters at Washington Plaza, clear evidence that we operate our own offices in a sustainable manner. Thus far, we are the only real estate company in the world to have obtained this level of certification across its portfolio and headquarters. Moreover, Washington Plaza was singled out as winner of the category 'BREEAM Offices In-Use' at the BREEAM Awards 2015. We are maintaining this momentum by implementing an action plan to improve the BREEAM profiles of our assets and transition our portfolio of properties towards the new BREEAM In-Use International standard.

# 100%

of our revenue-generating assets are certified 'BREEAM In-Use'



## Controlled consumption

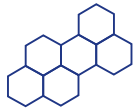
Thanks to high-quality upgrades and efficient management techniques, the consolidated energy intensity of SFL's portfolio of revenue-generating properties stands at around 261 kWh/sq.m./year. The carbon footprint of the company's revenue-generating properties, including its own activities, confirms that SFL's CO<sub>2</sub> emissions per workstation are among the lowest in the world (506 kgCO<sub>2</sub> e/user/year, including travel).

In terms of water consumption, we deploy water-efficient solutions at the point of use and are working on rainwater storage (already in place at a number of sites, including In/Out, Washington Plaza, #cloud.paris and Ozone). Our 2011 goal to reduce water consumption by 10% across the whole of our portfolio by the end of 2013 was reached and then surpassed, with consolidated consumption having been reduced by almost 18% in 2014.

Finally, following the 2013 introduction of waste sorting facilities at all assets, 2014 saw 100% of managed properties equipped with processes that enable the sorting of at least three types of waste. At SFL's headquarters, waste sorting made it possible to recycle 100% of waste paper in 2014 (compared to a rate of 35% for France in general), meaning that the company delivered a grand total of 2.6 tonnes (around 36kg/employee) back to recycling businesses.

# CO<sub>2</sub> emissions

per workstation among the lowest in the world



## Focus on biodiversity

SFL pays close attention to the quality of its property portfolio, particularly in terms of biodiversity.

Every project is an opportunity to increase the amount of greenery in shared spaces or on terraces, as Cézanne Saint-Honoré, Washington Plaza, In/Out and #cloud.paris demonstrate. At each site, 'hotels' for solitary pollinating bee species have been installed as part of a State-led initiative for corporate gardens and green spaces. We also encourage our clients to install beehives, following the example set by Condorcet and Washington Plaza.

## Priority

given to greenery in shared spaces



## Comfort and services included

By listening to our clients, monitoring technical and product developments and experimenting, we are able to equip our development projects with the comforts of tomorrow. Examples include more functional floor plates, flexible layouts, optimised ceiling heights, radiant ceiling technology, systems to measure air quality, extra natural light and lighting management, and multisensory atmospheres. In addition, we provide the occupants of our buildings with a large number of services, such as dining, virtual or actual concierge services, secure receptions and entrances, as well as on-line information about accessibility, services and the building via ServicesbySFL.

## SFL policy

Every lease signed, including leases of less than 2,000 sq.m., includes environmental clauses



## Client relationships and satisfaction

SFL has chosen to transform its leases into 'green leases' whenever new leases are signed or existing leases are renewed. The primary objective is to communicate with our clients about the best practices to adopt in terms of operations, to discuss CSR issues, and to obtain data about their water and energy consumption and waste management.

SFL has also rolled out, in cooperation with its clients, a policy to manage the technical efficiency of its buildings through the implementation of Centralised Technical Management (CTM) systems in all properties and a system of individualised meter readings to track the use of IT, lighting, heating and cooling, etc.

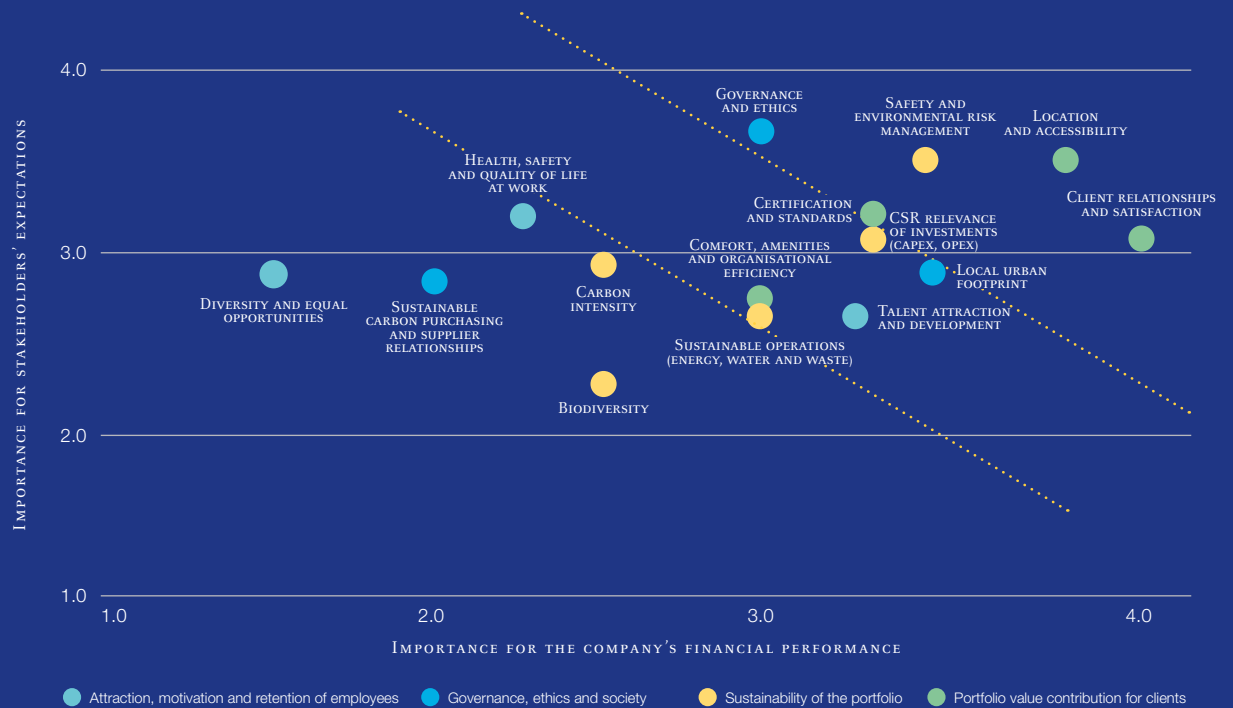
## 51%

Green leases in our portfolio (by surface area, on 31/12/14)





## Mapping of CSR challenges



SFL has identified its operational priorities for CSR performance on the basis of the GRI G4 reporting framework (Global Reporting Initiatives version 4). Fifteen challenges, determined in advance by the whole of SFL's management team, have been mapped according to their importance for corporate operations on the one hand (x-axis), and stakeholders' expectations on the other (y-axis). Three levels of materiality emerge: **5 fundamental challenges** that are integral to SFL's core business, **5 significant CSR challenges**, and **5 challenges to be monitored**.

# A key role in the city

## An integral part of tomorrow's city

SFL places a very high value on the integration, both aesthetic and functional, of its properties into the urban landscape. It conducts in-depth analyses of the history, the functions and the unique features of its urban surroundings and, before proposing new projects or modernisation programmes, participates alongside the local authorities as they plan the city of tomorrow.

# 56%

increase in the amount of greenery  
at #cloud.paris compared  
to previous levels

## TOWN PLANNING MATTERS

SFL pays close attention to the integration of its properties into the urban landscape and takes a measured approach to innovation on all of its assets, especially during major redevelopments. Our approach involves researching, designing and implementing the most advanced, usable solutions for our clients who, like us, monitor global trends. This influences the visual appeal and design of our sites: attractiveness and efficiency continue to characterise the businesses, places and companies of today and tomorrow.



## A CAPITAL PARTNERSHIP

As a partner of the City of Paris's environmental policies, listening is central to our working practices. We listen to our clients but also to local authorities. We incorporate greenery because we respect local biodiversity but also because we want to create meaning in these rare, precious, natural spaces. All of our major renovation projects significantly increase the amount of vegetation in our assets, whether on their roofs, as at #cloud.paris and Cézanne Saint-Honoré, in their courtyards, as at Washington Plaza, or even on their walls, as is the case with Ozone. We also contribute to the 'EcoJardin' (EcoGarden) scheme and are considering the adoption of certification standards. Finally, when drawing up our projects, we take account of the city council's advisory frameworks, such as those regarding wildlife corridors.





## ACCESSIBILITY: THE ORDER OF THE DAY

We are anxious to make our properties ever more accessible to people with disabilities and include this objective in all of our renovation projects. To do so, we respect the requirements laid down by employment regulations and we also seek inspiration from the regulatory framework for public buildings, which sets far more stringent standards. We believe that making all buildings accessible, especially workplaces and shops, requires making the value they offer available to everyone, regardless of their age or physical capacities.



# A PORTFOLIO

Outstanding, Distinctive, Certified







## Édouard VII

16-30, boulevard des Capucines, 2-18, rue Caumartin, 75009 Paris

### ONE OF THE CAPITAL'S BUSINESS LANDMARKS.

Built on a 1.5-hectare plot, the Haussmann-style Édouard VII complex is situated between the Opéra Garnier, La Madeleine, and the Boulevard des Capucines. Its location at the heart of one of Paris's liveliest neighbourhoods and its distinguished architectural style – the result of extensive remodelling – make this property a fabulous showcase. SFL intends to give this historic property a more modern and prestigious identity by redeveloping the workspaces, reception areas and public spaces, landscaping the interior courtyards, and revitalising the shopping street it stands on.

Year of acquisition: 1999 - Main clients: Bird&Bird, Zara, Ashurst, l'Olympia and Klépierre

Total surface area: 54,100 sq.m.



## Louvre Saint-Honoré

2, place du Palais-Royal, 75001 Paris

### AN EXCEPTIONAL LOCATION.

This building offers large, efficient 5,400-sq.m. workspaces in a prime location opposite the Louvre museum. As part of its ongoing efforts to improve services and user comfort, SFL undertook an extensive renovation of the offices so they deliver a technical performance in line with the highest international standards along with premium amenities including a staff restaurant and round-the-clock security. Until 2016, this asset is being rendered even more beautiful by 'Grandes Ondes', an ephemeral architectural installation by the artist François Morellet.

Year of acquisition: 1995 - Main clients: Fast Retailing, Hugo Boss, Ariba, GIE Cartes bancaires, Proparco and IEDOM

Total surface area: 47,700 sq.m.

## Washington Plaza

38-44, rue Washington, 29-31, rue de Berri, 43-45, rue d'Artois, 75008 Paris

### A BUSINESS COMPLEX AT THE HEART OF THE CBD.

Located just off the Champs-Élysées on an 8,000-sq.m. site, Washington Plaza is one of the capital's finest office complexes. An ambitious renovation of the business centre has been carried out to radically transform the functionality, identity and image of this site through the creation of a vast lobby at the Friedland entrance and a spectacular interior gallery that opens on to private landscaped areas.

Year of acquisition: 2000 - Main clients: Msys, Candriam, Lagardère and CCR

Total surface area: 47,100 sq.m.





## #cloud.paris

81-83, rue de Richelieu, 2-8, rue Ménars, 16-18, rue de Gramont, 1-5, rue Grétry, 75002 Paris

### A UNIQUE PROJECT IN PARIS.

#cloud.paris is located in the central business district of Paris, a stone's throw from the Stock Exchange and the Opéra Garnier. The complex is being extensively redeveloped to create an exceptional environment based on modern, flexible office space and prestigious amenities such as a business centre, concierge service, restaurants, panoramic terrace and fitness rooms.

Year of acquisition: 2004

Total surface area: 33,200 sq.m.



## Cézanne Saint-Honoré

1-6, rue Paul Cézanne, 27, rue de Courcelles, 168, rue du Faubourg Saint-Honoré, 75008 Paris

### A PRIVATE STREET YARDS FROM THE PLACE DE L'ÉTOILE.

This exceptional office, retail and residential complex is comprised of two separate buildings that stand on either side of a 100-metre long, 15-metre wide private street in the heart of the capital's historic business district. Delivered in March 2005 after exemplary restoration work, the 1930s building has the advantage of long load-bearing spans that obviate the need for internal structural walls and allow for large, functional units. The Cézanne Saint-Honoré complex was honoured by two awards in 2004 and 2005 and is one of SFL's finest assets.

Year of acquisition: 2001 and 2007 - Main clients: Freshfields and Citibank

Total surface area: 29,000 sq.m.

## Haussmann Saint-Augustin

104-110, boulevard Haussmann, 75008 Paris

### A LUXURY OFFICE COMPLEX.

A two-year redevelopment project that was completed in 2007 transformed four separate buildings on boulevard Haussmann into a luxury office complex offering optimal working conditions. The building is designed around a vast central lobby that is flooded with natural light from a glass roof. It offers a total surface area of around 13,000 sq.m. over seven floors and its 82-metre long façade is made of cut stone. The use of natural, noble materials creates warmth and architectural beauty while the interior design is an elegant blend of the classic and the contemporary.

Year of acquisition: 2002 and 2004 - Main client: La Mondiale Groupe

Total surface area: 13,400 sq.m.



## 131 Wagram

131, avenue de Wagram, 75017 Paris

### A MEDIA HUB.

This property stands halfway between Parc Monceau and the place de l'Étoile on the corner of rue de Prony. It features a terrace, an interior garden, nine floors of offices and five underground levels. The building offers light-filled, flexible workspaces of around 800 sq.m. in addition to an auditorium and a staff restaurant. The interior was fully renovated in 2004-2005.

Year of acquisition: 1999 - Client: TV5 Monde

Total surface area: 9,200 sq.m.



## 96 Iéna

96, avenue d'Iéna, 3, rue de Presbourg, 83-85 bis, avenue Marceau, 75016 Paris

### A REMARKABLE VIEW OF THE ARC DE TRIOMPHE.

With an exceptional location right beside the place de l'Étoile, this six-storey property features an interior courtyard and terraces offering outstanding views of the Arc de Triomphe. The unique appeal of this asset is reinforced by its three street-facing façades, which afford it a rare degree of visibility. With its highly functional, flexible, light-filled workspaces of around 1,200 sq.m. each, the Iéna building is one of a kind.

Year of acquisition: 2001 and 2007 - Main client: Générale de Santé

Total surface area: 8,900 sq.m.

## Galerie Champs-Élysées

82-88, avenue des Champs-Élysées, 75008 Paris

### A NEW LIFE FOR A PARISIAN CLASSIC.

Enjoying one of the most prestigious locations in Paris, on the sunny side of the Champs-Élysées in the most visited section of the avenue, this shopping arcade has benefited from significant investments. The property has regained its elegant and eye-catching looks following a complete redesign by Jean Nouvel that combined pure Haussmannian style with modern features like black metallic light fittings and escalators. The gallery houses the 2,800-sq.m. international flagship store of H&M.

Year of acquisition: 2002 - Main clients: H&M, Promod, Etam, L'Occitane, Paul, Minelli and McDonald's

Total surface area: 8,700 sq.m.



## 90 Champs-Élysées

90, avenue des Champs-Élysées, 75008 Paris

### A PROPERTY WITH EXCELLENT POTENTIAL FOR VALUE CREATION.

Located above the Galerie des Champs-Élysées shopping arcade, this modern building features a cut stone façade like that used for the most stunning Haussmann-style buildings. It was recently transformed by Jean Nouvel. The property is undergoing redevelopment and will offer very attractive, bright floor plates of 1,200 sq.m. SFL has signed a pre-leasing agreement with a major international consulting firm that will come into force in spring 2015.

Year of acquisition: 2002 and 2009

Total surface area: 8,700 sq.m.



## Ozone

92, avenue des Champs-Élysées, 75008 Paris

### AN EMBLEMATIC BUILDING.

Home to Thomas Jefferson when he lived in Paris from 1785 to 1789, this building has one of the best locations on the Champs-Élysées, on the corner of rue de Berri. An extensive redevelopment to restore it to its former glory and create High Environmental Quality (HQE)-certified office space was delivered at the end of 2012. The property has retail units on the ground floor and premium-quality offices over the five upper floors.

Year of acquisition: 2000 - Main clients: King & Wood Mallesons and Zara

Total surface area: 7,700 sq.m.



## 112 Wagram

108-112, avenue de Wagram, 66-72, rue de Prony, 75017 Paris

### A WORKPLACE OFFERING UNPARALLELED COMFORT.

Nestled between the place de l'Étoile and the porte de Champerret, the building at 112 avenue du Wagram stands out for its elegant industrial architecture, contemporary interior design, noble materials and impressive volumes. These include ceilings that are almost four metres high on the first and second floors, three vast terraces, a courtyard and an interior garden planted with trees. This new office complex lies behind a metallic façade decorated with bricks and glass and offers bright, modular, streamlined workspaces of more than 1,100 sq.m.

Year of acquisition: 2008, purchased off plan - Clients: Zurich France and Facebook

Total surface area: 6,000 sq.m.

## 6 Hanovre

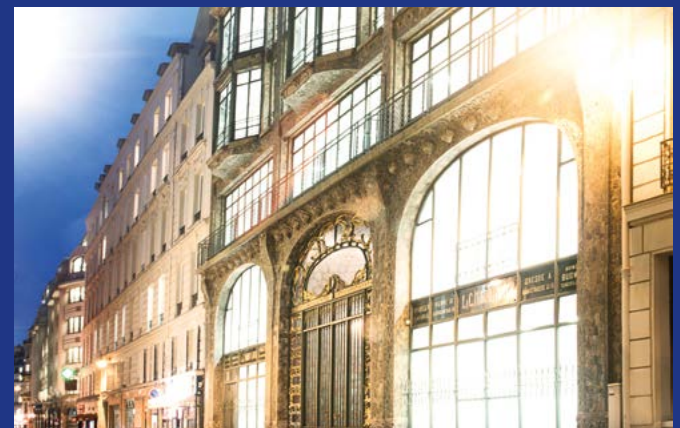
6, rue de Hanovre, 75002 Paris

### AN ART NOUVEAU BUILDING.

This 1908 building with its Art Nouveau façade is the work of architect Adolphe Bocage and is registered in the Supplementary List of Historical Monuments. Its vast lobby leads to a majestic horseshoe staircase and the façade features rectangular bays on the third floor and bow windows above. The façade, the entrance lobby and the elevator shaft are in concrete and decorated with ceramic tiles by Alexandre Bigot. The building is located at the heart of the financial district, near the Paris Stock Exchange, and enjoys stunning views over the Opéra district thanks to its panoramic terrace. Following a recent, painstaking renovation it now offers bright, streamlined office spaces.

Year of acquisition: 1958 - Client: Pretty Simple

Total surface area: 4,600 sq.m.





## Condorcet

4-8, rue Condorcet, 75009 Paris

### ELEGANCE ON A GRAND SCALE.

The Condorcet complex is situated in the 9th arrondissement in the immediate vicinity of the Parisian CBD and major transport hubs. Dating from the late 19th century and composed of seven buildings, it enjoys a highly visible location bounded by four streets: rue de Maubeuge, rue Condorcet, rue Pérelle and rue du Faubourg Poissonnière. The complex is steeped in history thanks to the conservation of original features. The buildings' interiors include a large number of neo-classical features, such as sculpted columns, painted ceilings and numerous decorative elements in marble and wood. The prestige of this complex is further enhanced by the monumental staircase of the central building and the vast, landscaped interior courtyard. Construction started in 1863 under the supervision of the architect Léon-Armand Darrou. The whole complex is outstanding architecturally and is the longstanding headquarters of the GDF Group, who have occupied the site since it was built.

Year of acquisition: 2014 - Client: GrDF

Total surface area: 24,900 sq.m.



## Rives de Seine

68-74, quai de la Râpée, 75012 Paris

### EFFORTLESS ACCESS.

Located on the banks of the Seine close to the Gare de Lyon train station and public transport hub, this property is emblematic of the revival of the Eastern Paris business district. This 16-storey building was built in 1974 and rises above a vast lobby that overlooks the river. It was extensively renovated in 2001 to create modern, well-lit and highly modular 1,200-sq.m. office units.

Year of acquisition: 2004 - Client: Natixis

Total surface area: 22,700 sq.m.

## 103 Grenelle

103, rue de Grenelle, 75007 Paris

### A BUSINESS CENTRE ON THE LEFT BANK.

Located on the Left Bank in a district that is home to many government departments, this historical complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century and, until recently, the headquarters of the French Telephone and Telegraph Administration. Following an extensive two-year redevelopment that was completed in mid 2009, the building offers more than 15,000 sq.m. of premium office space with High Environmental Quality (HQE) certification. It offers traditional partitioned workspaces as well as larger units of more than 1,500 sq.m. in the Chappe Tower that are suitable for open plan or mixed layouts. The complex also offers high-quality amenities.

Year of acquisition: 2006 - Main clients: Harry's France, ESMA, Valtech, Regus and GE Energy

Total surface area: 19,700 sq.m.



## In/Out

46, quai Le Gallo, 92100 Boulogne-Billancourt

### A REMARKABLE URBAN BUSINESS CAMPUS.

The building benefits from a highly visible, desirable location at the Paris city limits between the Sèvres and Saint-Cloud bridges and opposite the Parc de Saint-Cloud, on a highway that links several strategic business areas of the Île-de-France Region. SFL has completely redeveloped this 35,000-sq.m. symbol of France's industrial and cultural heritage into a modern office complex, without losing sight of its storied past. The new complex has HQE®, BREEAM® and LEED® certification. The main building is dedicated to office space while a new, ultra-contemporary extension welcomes the services pavilion.

Year of acquisition: 2000

Total surface area: 35,000 sq.m.



## 176 Charles-de-Gaulle

176, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine

### A CONVENIENT LOCATION BY THE METRO.

Located on the thoroughfare that links the place de l'Étoile to La Défense, this building is composed of offices and a large retail space on the ground floor. The courtyard-facing façade looks out over new, landscaped gardens.

Year of acquisition: 1997 - Main client: Hudson

Total surface area: 7,400 sq.m.

## Le Vaisseau

2, allée des Moulineaux, 39-51, rue Pierre Poli, 92130 Issy-les-Moulineaux

### AN INNOVATIVE CONCEPT.

Located on the Île Saint-Germain in Issy-les-Moulineaux, Le Vaisseau ('The Vessel') owes its name to its unusual shape and structure that evokes 'a vessel moored to the island'. The building's façade was inspired by naval architecture and its moveable roof opens upwards along its entire length. The building of nearly 6,000 sq.m. was designed by architect Jean Nouvel and completed in 1992. SFL acquired the property in 2006 and intends to reintegrate Le Vaisseau fully into its surroundings by reinterpreting the original concept and enhancing its value.

Year of acquisition: 2006 - Client: Dalkia France

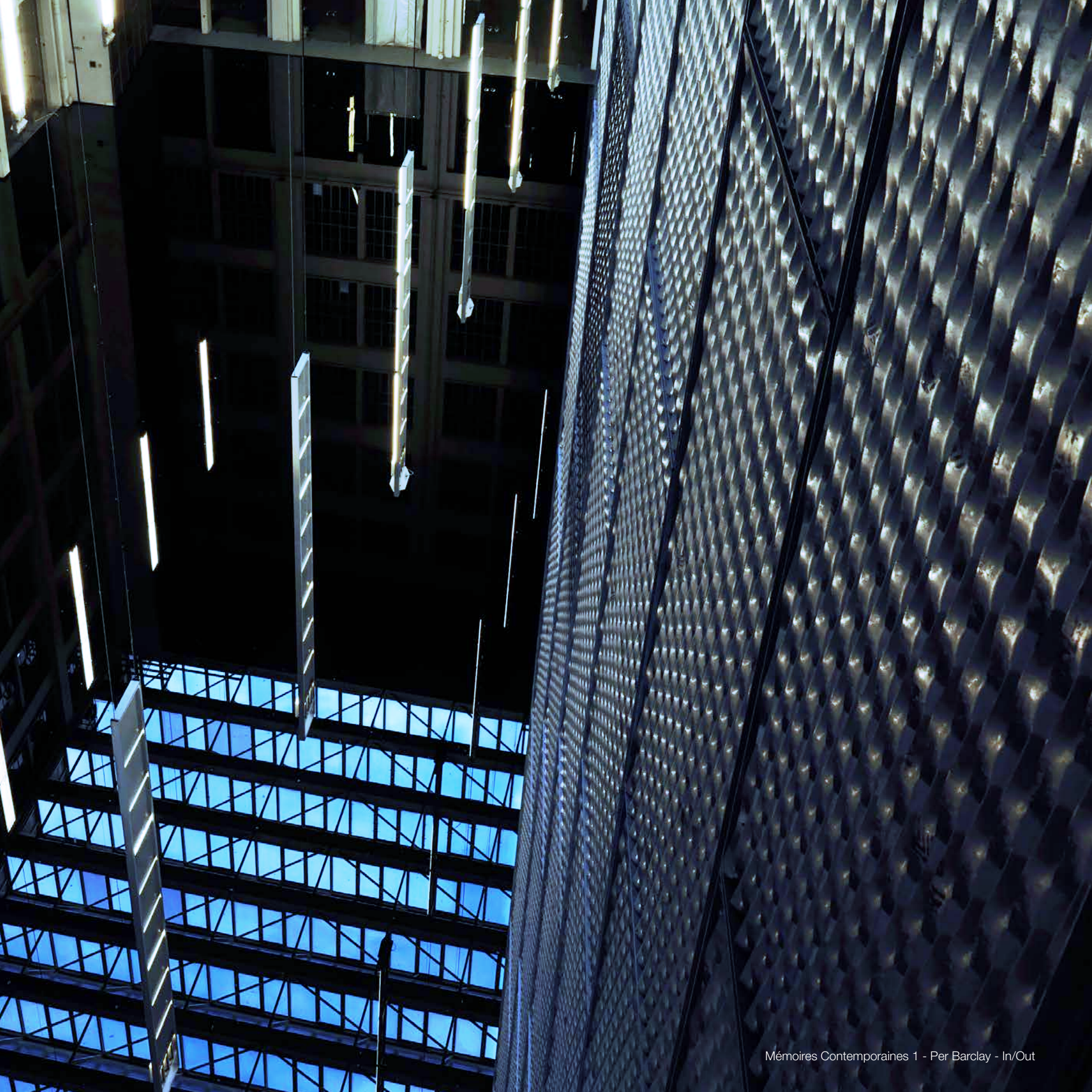
Total surface area: 6,300 sq.m.



# 2014 OPERATIONS

Resilient, Sustained, Promising







# Leasing

Activity returns to a challenging and selective market

The rental market proved to be more active in 2014 than in 2013 – a year considered to be mediocre – but remained challenging and selective. The volume of demand registered for offices in the Île-de-France region reached 2.1 million square metres, an increase of 13% compared to 2013.

87.1%

Physical occupancy rate

12.5% (attributable)

EPRA vacancy rate



## SEVERAL SUCCESSES TO OUR NAME

In a context that remained tough, SFL successfully leased more than 30,000 sq.m. in 2014. A number of significant transactions deserve a mention, such as the leasing of 7,500 sq.m. of offices in the Louvre Saint-Honoré to Fast Retailing and the pre-leasing of 5,700 sq.m. of fully renovated offices in 90 Champs-Élysées to a major international consulting firm, with a nine-year fixed term lease due to begin upon delivery in April 2015. Two large floorplates with a total surface of 3,800 sq.m. in the Cézanne Saint-Honoré were also leased, one to Apax Partners and the other to an international bank. Overall, new leases in 2014 resulted in an average nominal office rent of €649/sq.m. and an effective rent of €558/sq.m., clearly demonstrating SFL's capacity to maintain the level of its rents thanks to the quality of its buildings.

## VACANCY RATES UNDER CONTROL

The physical occupancy rate for revenue-generating properties on 31 December, 2014, stood at 87.1% compared to 82.0% the previous year. Most of the vacancy is accounted for by the In/Out building at Boulogne, which is still vacant, the challenging market in the Western Crescent resulting in a drawn-out leasing process. This building has an impact of 10.6% on the physical vacancy rate of the portfolio and a 9.2% impact on the financial vacancy rate at the end of the financial year. The other unoccupied surfaces present more modest challenges and are mainly located in the Washington Plaza, Louvre Saint-Honoré and Édouard VII buildings.





# Development

Very high quality redevelopments

SFL is committed to always maintaining its buildings to the highest standards and undertakes ambitious redevelopment projects that should really be described as “re-creation” projects. The goal: to deliver products of the same standard as the finest new-builds and support a rental strategy based on the best market rates.

50,000 sq.m.  
in development in 2014

€118M  
invested in improvement works





## FUTURE VALUE

In 2014, more than 50,000 sq.m. of floor space in SFL's properties – almost 15% of the portfolio – was being redeveloped, with most of these projects involving extensive restructuring of the buildings. The €118 million that was invested in works during 2014 to achieve the very demanding quality standards that are set for every asset in redevelopment provides a yardstick for the future value that is being created.

## MAJOR REDEVELOPMENTS

Among the numerous transformations undertaken by SFL in 2014, three are particularly noteworthy. The #cloud.paris building is being transformed into a 33,200 sq.m. business centre between the Opera and the Stock Exchange. Work started in 2013 and continued this year in advance of its delivery in the fourth quarter of 2015. The Washington Plaza, with its majestic new entrance lobby opening onto the avenue de Friedland, interior passageways to access the different buildings, a second lobby on the rue de Berri and an interior garden, all within a 47,100 sq.m. complex located a stone's throw from the Arc de Triomphe, was delivered in December 2014. Finally, 90 Champs-Élysées (8,700 sq.m.), which is undergoing a comprehensive renovation of the office floors and the entrance lobby for these offices, will be delivered in April 2015.





# Portfolio value

## Steady growth

In 2014, SFL's position as the leader on the prime real estate segment in Paris was reinforced by positive growth in the value of its asset portfolio and in net asset value (NAV). Steady improvements in appraisal values since 2010 confirm that our prime portfolio is well positioned.

### RISE IN APPRAISAL VALUES

On 31 December, 2014, the estimated market value of SFL's portfolio was €4,466 million, excluding transfer costs, and the estimated replacement value, including transfer costs, was €4,703 million. These figures reflect an overall rise of 15.3% in the value of the portfolio relative to December, 2013, and include the acquisition of Condorcet in December, 2014. An increase of 9.5% on a comparable basis.

This new increase in appraisal values is due in part to investments undertaken in 2014 in our properties (€118 million) and the creation of value that is associated with these developments. It is also due to asset appreciation, which is linked to a new tightening in the discount rates observed on the investment market for very high quality assets. SFL's position as the leader on the prime real estate market in Paris is thus reinforced by the positive growth in the value of its portfolio and its NAV.

On 31 December, 2014, the company's Triple Net Asset Value (EPRA NNAV) stood at €2,297 million or €49.4 per share, compared with €46.7 per share on 31 December, 2013, an increase of 5.7%.



## NET ASSET VALUE (IN € MILLIONS)

	31/12/14	31/12/13	31/12/12
EQUITY	2,325	2,215	2,137
TREASURY SHARES AND STOCK OPTIONS	14	15	16
UNREALISED CAPITAL GAINS	9	9	9
ELIMINATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE	2	0	18
ELIMINATION OF DEFERRED TAXES	83	71	67
<b>EPRA NAV</b>	<b>2,432</b>	<b>2,309</b>	<b>2,246</b>
<b>EPRA NAV/SHARE</b>	<b>€52.3</b>	<b>€49.6</b>	<b>€48.3</b>
FINANCIAL INSTRUMENTS AT FAIR VALUE	-2	0	-18
FIXED-RATE DEBT AT FAIR VALUE	-51	-65	-54
DEFERRED TAXES	-83	-71	-67
<b>EPRA NNNAV</b>	<b>2,297</b>	<b>2,172</b>	<b>2,108</b>
<b>EPRA NNNAV PER SHARE</b>	<b>€49.4</b>	<b>€46.7</b>	<b>€45.3</b>
TRANSFER COSTS ON PROPERTY PORTFOLIO	205	168	164
<b>NAV INCLUDING TRANSFER COSTS</b>	<b>2,637</b>	<b>2,477</b>	<b>2,410</b>
<b>NAV/SHARE INCLUDING TRANSFER COSTS</b>	<b>€56.7</b>	<b>€53.2</b>	<b>€51.8</b>
NUMBER OF SHARES (THOUSANDS)	46,529	46,529	46,529

€4,466 M (EXCLUDING TRANSFER COSTS)  
Consolidated portfolio value

394,000 sq.m.  
Consolidated surface

# Rental income

## Continued rental growth

Following a rise of 6.6% in 2011, 7.5% in 2012 and 3.9% in 2013, SFL recorded an increase of 4.3% in its rental income for 2014 on a comparable portfolio basis. This fourth consecutive year of growth demonstrates, in no uncertain terms, the relevance of the company's business model.

### +4.3% ON A COMPARABLE PORTFOLIO BASIS

Consolidated rental income stood at €151.5 million in 2014, a rise of 1.5% compared to the €149.3 million of 2013.

On a comparable portfolio basis, rents increased by €5.8 million (+4.3%) due to the impact of new leases, particularly for Édouard VII, Washington Plaza, 6 Hanovre and Louvre Saint-Honoré.

Rents from buildings undergoing renovations during the period declined by €4.5 million overall. This situation is mainly due to the double shortfall of the Hotel Indigo in the Édouard VII, which only opened in October 2014, and on the building at 90 Champs-Élysées, the renovation of which will be completed in April 2015.

In addition, changes in the perimeter had a negative impact of €0.5 million on rental incomes. This dip is due, on the one hand, to the sale of the Mandarin Oriental in February 2013 (-€1.2 million) and, on the other, to the acquisition of Condorcet in December 2014 (+€0.7 million).

Finally, SFL received €1.5 million in compensation for the early termination of a lease agreement at the Washington Plaza.





## EBITDA ANALYSIS BY PROPERTY (in € millions)

	2014	2013	2012
WASHINGTON PLAZA	22.4	18.8	18.5
ÉDOUARD VII	21.5	22.9	20.1
CÉZANNE SAINT-HONORÉ	15.4	14.5	14.4
GALERIE DES CHAMPS-ÉLYSÉES <sup>(1)</sup>	12.1	12.1	5.6
LOUVRE SAINT-HONORÉ	11.2	9.6	12.9
OZONE	10.3	9.8	3.5
RIVES DE SEINE	10.1	11.6	11.7
HAUSSMANN SAINT-AUGUSTIN <sup>(1)</sup>	9.5	9.3	4.8
103 GRENELLE	8.7	8.3	5.5
131 WAGRAM	4.4	5.1	5.0
96 IÉNA	4.1	4.4	4.1
112 WAGRAM	3.0	3.1	3.0
176 CHARLES DE GAULLE	2.6	3.1	3.2
LE VAISSEAU	1.9	2.0	1.9
90 CHAMPS-ÉLYSÉES <sup>(1)</sup>	1.6	2.4	1.5
6 HANOVRE	1.3	-0.2	-0.1
CONDORCET	0.7	-	-
#CLOUD.PARIS	-	-	11.5
IN/OUT	-2.2	-0.2	-
<b>PROPERTIES IN THE PORTFOLIO AT 31 DECEMBER 2014</b>	<b>138.4</b>	<b>136.6</b>	<b>127.0</b>
MANDARIN ORIENTAL	-	1.1	11.0
OTHER ASSETS	-0.1	0.2	-
SOLD PROPERTIES AND OTHER	0.2	1.3	11.0
<b>TOTAL PROPERTIES</b>	<b>138.7</b>	<b>137.9</b>	<b>137.9</b>
CORPORATE	-16.3	-18.5	-14.5
<b>TOTAL EBITDA</b>	<b>122.3</b>	<b>119.4</b>	<b>123.4</b>

(1) 50% in 2012 (proportional consolidation), 100% in 2013 and 2014 (full consolidation).

€151.5M

Rental income

+4.3%

Growth on a comparable  
portfolio basis



# Financial performance

## Capacity to seize opportunities

In an environment offering favourable conditions for future growth, SFL successfully maintained its solid operational foundations in 2014.

### CONSOLIDATED OPERATIONS

In 2014, SFL continued to pursue the asset redevelopment programme it launched in 2011, notably the major project at #cloud.paris which is due to be delivered in the fourth quarter of 2015. In July, SFL sold its 29.6% stake in the capital of SIIC de Paris for a total of €305 million; in December 2014 it acquired Condorcet, the headquarters of GrDF, for €230 million. Finally, in November, SFL successfully undertook a liability management transaction that comprised the emission of a new €500-million bond with a term of seven years and the repurchase of two existing public bonds for a total nominal amount of €300 million.

In this context, consolidated rental incomes have risen to €151.5 million, versus €149.3 million in 2013. Operating profit, excluding the impact of disposals and fair value adjustments on buildings, stands at €121.5 million in 2014, versus €119.8 million in 2013. Recurring net profit (EPRA earnings) stands at €52.5 million, versus €58.7 million for 2013.

Net profit in 2014, which includes an impact of €206.3 million from fair value variations (net of related taxes), stands at €240.2 million, with €197.7 million attributable to owners of the parent.



## UNDERLYING ATTRIBUTABLE NET PROFIT (EPRA earnings) (in € millions)

	2014		2013		2012	
	Recurring EPRA	Non Recurring	Recurring EPRA	Non Recurring	Recurring EPRA	Non Recurring
RENTAL INCOME	151.5	0	149.3	0	150.2	0
PROPERTY EXPENSES, NET OF RECOVERIES	-11.9	0	-12.3	0	-12.4	0
NET RENTAL INCOME	139.6	0	137.0	0	137.8	0
SERVICE AND OTHER REVENUES	1.9	0	2.5	0	4.0	0
DEPRECIATION, AMORTISATION AND PROVISION EXPENSE, NET	-0.8	0	0.4	0	-0.9	0
PERSONNEL COSTS AND OVERHEADS	-19.2	0	-20.1	0	-18.4	0
CURRENT OPERATING PROFIT BEFORE DISPOSALS AND FAIR VALUE ADJUSTMENTS	121.5	0	119.8	0	122.5	0
PROFIT/LOSS ON PROPERTY DISPOSALS	0	8.5	0	-0.2	0	0
FAIR VALUE ADJUSTMENTS TO INVESTMENT PROPERTIES	0	227.5	0	145.3	0	236.3
SHARE OF PROFIT OF ASSOCIATES	4.3	-6.5	11.5	9.5	13.2	7.8
FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE	-54.6	-32.4	-53.1	-17.6	-56.0	-16.2
INCOME TAX EXPENSE	-6.8	-21.4	-8.3	-24.2	-4.7	-3.3
PROFIT FOR THE YEAR	64.5	175.8	69.9	112.8	74.9	224.6
MINORITY INTERESTS	-12.0	-30.5	-11.2	-24.2	-5.4	-10.9
ATTRIBUTABLE NET PROFIT	52.5	145.2	58.7	88.6	69.5	213.7
EPRA EARNINGS PER SHARE	€1.13		€1.26		€1.49	
AVERAGE NUMBER OF SHARES (THOUSANDS)	46,529		46,529		46,529	

€197.7 M

Attributable net profit

€49.4

EPRA NNAV per share

€52.5 M

Underlying attributable profit  
(EPRA EARNINGS)



# Debt and financing

## Excellent coverage of liquidity risks

The characteristics of its debt profile mean that SFL is well placed to seize new investment opportunities and provide the Group with excellent coverage relative to liquidity risks.

### DEBT MATURITY

In 2014, SFL consolidated its debt structure thanks to an extension in the average maturity of its debt and a reduction in its average cost. This is the result of the successful implementation of a liability management transaction involving the issue of a new €500-million bond with a coupon of 1.875% (expiring 26/11/2021) and the repurchase of existing public bonds for a nominal amount of €300 million.

In addition, SFL consolidated its revolving credit facilities by implementing two new €150-million credit facilities, each with a term of five years, in replacement of existing facilities that were due to expire or had a limited term remaining.

On 31 December, 2014, SFL's consolidated net debt amounted to €1,572 million, giving a loan-to-value ratio of 33.4%. It had an average maturity of 4 years and an average cost after hedging of 2.9%. SFL also has €600 million in confirmed credit lines that are currently unused but could be drawn at any time.



## DEBT STRUCTURE (in € millions)

	31/12/14	31/12/13	31/12/12
BONDS	1,200	1,000	1,000
SYNDICATED CREDIT FACILITIES	0	50	45
LEASE FINANCING	30	33	89
OTHER BANK LOANS	359	403	438
TOTAL DEBT	1,589	1,486	1,572
CASH AND CASH EQUIVALENTS	17	29	25
NET DEBT	1,572	1,457	1,547
UNDRAWN LINES OF CREDIT	600	700	605
ESTIMATED VALUE OF ASSETS (INCL. TRANSFER COSTS)	4,703	4,071	4,072
SIIC DE PARIS SHARES	-	302	287
LOAN-TO-VALUE	33.4%	33.3%	35.5%
AVERAGE MATURITY (YEARS)	4.0	3.4	3.9
AVERAGE SPOT COST (AFTER HEDGING)	2.9%	3.3%	3.6%

€1,572 M

Consolidated net debt

4 years

Average maturity

33.4%

Loan-to-Value

2.9%

Average spot cost of debt  
(after hedging)

# OWNERSHIP STRUCTURE AND STOCK MARKET

## A subdued performance

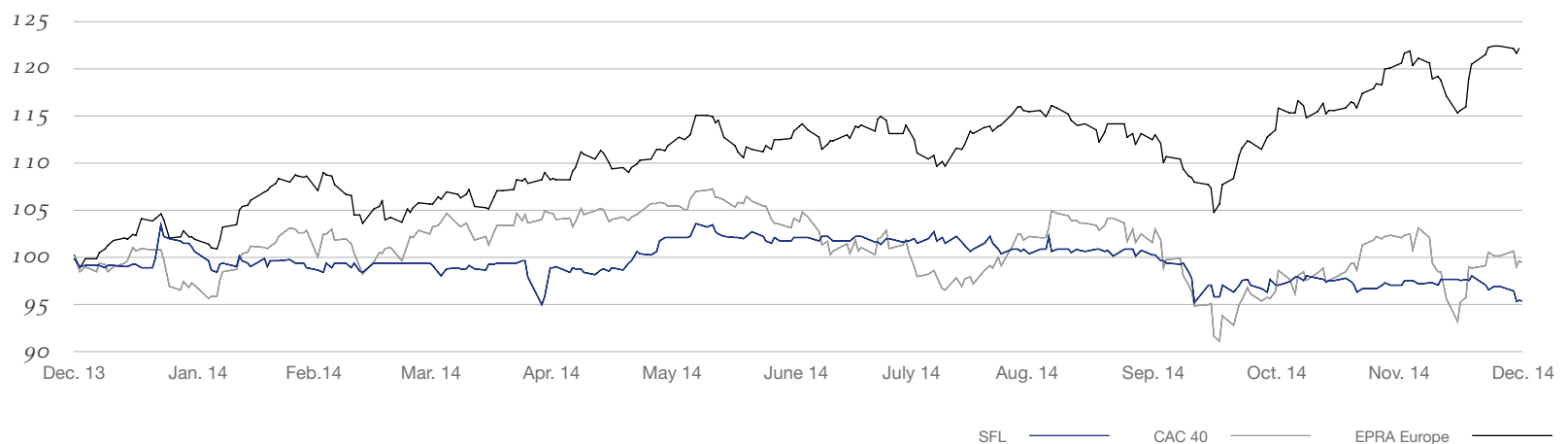
The SFL share closed the year at €36.36 versus €38.09 at the end of 2013, a decline of 4.5% in one year. Over the same period, the EPRA Europe index rose by 21.3% while the CAC 40 fell by 0.5%.

## A TOTAL DIVIDEND OF €2.10 PER SHARE

Transaction volumes remained modest with 3,105 shares traded per day on average. During the 2014 financial year, SFL paid the balance of the 2013 dividend (€1.40 per share) and a distribution of €0.70 per share, giving a total dividend of €2.10 per share.

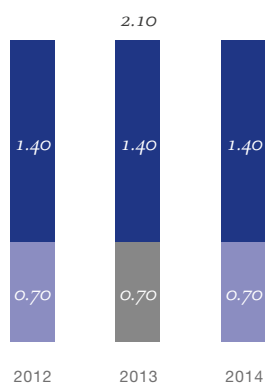
The Board of Directors decided to recommend, at the Annual General Meeting of 22 April, 2015, the payment in cash of a stable dividend of €1.40 per share.

SFL STOCK MARKET PERFORMANCE



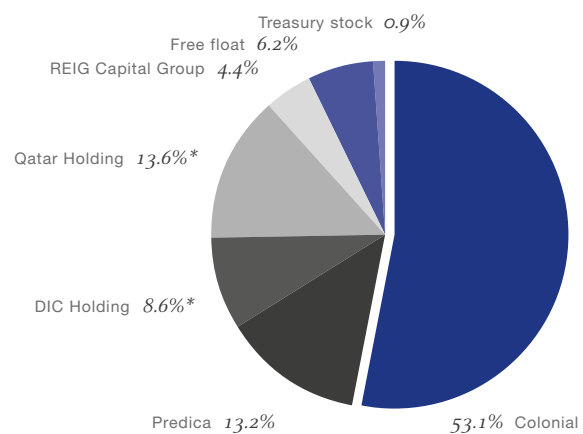


DIVIDEND PER SHARE (in €)



Dividend per share ■ o/w interim dividend ■ Other distributions ■

SFL OWNERSHIP STRUCTURE (at 31 December 2014)



\* Acting in concert

## AN EVOLVING OWNERSHIP STRUCTURE

Control of SFL did not change during 2014: Colonial remains the majority shareholder with 53%. However, several significant changes occurred among the minority shareholders during the first half of 2014 with the departure of CACIB, RBS, ORION III and Unibail-Rodamco, the arrival of the DIC Holding and Qatar Holding funds, and the reinforcement of Predica.





Société anonyme. Capital: €93,057,948  
Registered office: 42, rue Washington - 75008 Paris  
Phone: + 33 (0) 1 42 97 27 00 - Fax: + 33 (0) 1 42 97 27 26  
[www.fonciere-lyonnaise.com](http://www.fonciere-lyonnaise.com)  
Registered in Paris under no. 552 040 982

Consulting, design, drafting and execution

TERRE DE SIENNE *Paris* | [www.terredesienne.com](http://www.terredesienne.com)

Photo credits:

Per Barclay - Luc Boegly - Yohann Gendry - Seignette Lafontan  
Thierry Lewenberg-Sturm - Paul Maurer - Axyz Images - Agent M  
L'Autre Image - Getty Images



In accordance with the principles of responsible development, SFL has chosen to print this document on FSC-certified paper, made using wood fibre products that come from sustainably planted and managed forests. The paper is produced by an ISO 14001-certified company meeting environmental performance standards and printed in an Imprim'vert-certified printing facility.





