



2011 ANNUAL REPORT





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Because your teams' performance
is a prime concern





Because your teams' performance is a prime concern...

... we are committed to understanding the challenges you face.

As users of prime office property, you are part of the select group of high value-added companies for whom the location and quality of their Paris offices play an essential role in projecting their image, enhancing their appeal and driving their performance. Whether you are a large corporation, the local subsidiary of a multinational, a renowned consulting firm, a financial services company, a luxury, media or advertising firm or a market or industry leader, you have chosen to establish your headquarters in a centrally located, high quality building in order to attract and retain the best talent and improve your performance. You feel that having a high profile, easy-to-reach prime address in the heart of one of the world's leading economic centers is a major competitive advantage, especially when it comes with an array of exceptional amenities and unrivalled property management services.





VISION





CONVICTION





Because your teams' performance
is a prime concern...

... our prime Paris offices are designed
to enhance their well-being.

As a leading company, you are faced with many economic and social changes that you need to absorb and turn to your advantage. In today's increasingly complex, fast-paced environment in which long-term vision is sacrificed in the race for short-term results, it's becoming much harder to survive and thrive. Plus, there seems to be no end of challenges, as you work to stay ahead of the technological curve, create new business opportunities, innovate more quickly, adapt and reinvent your business model, and expand your geographic footprint. As pressure on your teams increases, personal performance and employee well-being are more than ever the key drivers of your success. Convinced that prime office property plays a critical role in supporting the people aspects of your strategy, we offer offices and amenities that create the right environment for fulfilling your strategic vision and improving the performance and alignment of your teams.





Because your teams' performance
is a prime concern...

... we help you to nurture
your human capital.

One of the hallmarks of the best-performing companies is effective human resources management. More than ever, you have to attract the best talent, motivate and retain high-performing employees, increase productivity, foster creativity and innovation, manage complexity, instil meaning, enhance the sense of co-destiny and encourage cross-functional and project-based practices.

As a result, the quality of worklife is becoming increasingly important for you and your employees – which means paying attention to accessible locations, efficient work and leisure space design, and outstanding building amenities. Clearly, offices represent a major link in your company's value chain, which is why we have carefully integrated these issues into our prime property portfolio.

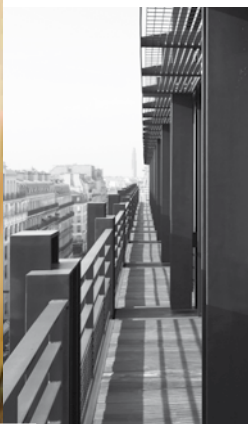
Throughout, we are guided by a single goal, to provide you with offices that serve as powerful tools in your talent management process.





AMBITION





INNOVATION



Because your teams' performance is a prime concern...

... we embrace your high standards.

To offer the right property solution for your corporate vision and management style, we pay close attention to proactively anticipating your needs and understanding them in the slightest detail.

In particular, we are aware that these needs are at once multifarious and protean:

- › Open offices that can be organised and fitted out for all types of workspaces.
- › Large, spacious floors that foster collaborative interchange, alignment and working in teams or on projects.
- › Architecturally outstanding buildings, projecting a status-affirming image for your employees and customers.
- › The highest, most effective sustainable development standards.
- › Exceptional day-to-day accessibility.
- › A high-quality, safe urban, shopping and cultural environment.
- › Amenities that optimise daily worklife and make it easier and more pleasant.
- › And, naturally, impeccable building management services.

This means that, more than ever, you will find the right response to your expectations in our prime property portfolio and our new business philosophy.





Because your teams' performance is a prime concern...

... we're reinventing the tenant relationship.

We are committed to forging a privileged relationship with you, based on close, personalised service and on listening and responding to your needs. This is the spirit that guides the highly structured organisation we put into place for each tenant, built around monitoring committees, communication programmes, events, dedicated services and regular tenant needs analyses and satisfaction surveys.

In late 2011, for example, we conducted an in-depth survey of 33 companies and 460 people working in various buildings in our portfolio. Based on 64 questions, the survey improved our knowledge of tenant profiles, needs and expectations. In particular, it helped us to understand how you use workspaces, how you commute and your ingress and egress requirements, to appreciate the criteria you use in ascribing importance to the building and your offices, to measure your satisfaction and, lastly, to identify our strengths and areas for improvement.

Reinventing the tenant relationship also means building gateways to life beyond the workplace. That's why, in the same way that you bring a highly concentrated blend of expertise, skills, capabilities and sophistication, we work with you to create an environment interfacing with the worlds of art, design or culture.





BUILDING LOYALTY





CREATING VALUE



Because your teams' performance
is a prime concern...

... excellence is more than ever
our priority.

Because the world is changing and your needs are constantly evolving, we are aligning our responses and continuously reinventing our property assets to ensure that they always meet the latest and highest standards of quality.

That's why since 2010, we have profoundly transformed our corporate culture, based on the constant, daily search for professional excellence. The quality, expertise, creativity and performance that are now expressed across our value chain are helping to strengthen our leadership in the Paris CBD prime office segment.

These high standards are also manifested in our office building portfolio. Unique and rare, these buildings deliver all of the benefits you want to nurture a people-centric working environment, support your corporate vision and drive your strategy to create value and demonstrate your social responsibility.



Your opinion counts...

68% of our tenants think that their offices help to enhance team motivation.

More than 50% of tenants believe that our conception of the property management business encourages innovation.

63% of our tenants use public transport to commute, and 12.5% walk or bike to work.

80% of our tenants are satisfied or very satisfied with the working environment.



Chairman's Message



Juan José Brugera Clavero – Chairman of the Board

As you will see in the pages that follow, 2011 was a satisfactory year for Société Foncière Lyonnaise, despite difficult circumstances and a complex environment. The challenges we faced were met with determination by a strengthened

management team and a Board of Directors with some new faces.

Thanks to our real estate strategy focused on prime commercial properties in Paris, our prudent financial policy and the exceptionally high quality of our portfolio we enjoy excellent business momentum and can offer customers a unique selection of properties in the capital. Our focus remains anchored on the market segment that has best weathered the financial storm and we have consistently and resolutely implemented all of our business levers to ensure that we can face the future with equanimity and adapt to a difficult and unpredictable economic environment. Our Chief Executive Officer, Bertrand Julien-Laferrrière, gives a detailed explanation of this vision in this publication and presents the year's highlights and results. These results include, for the first time, our 29.9% share of the profits of SIIC de Paris, a listed property company whose assets and strategy are in perfect alignment with our vision of the business. For my part, I would like to highlight the successful opening of the Mandarin Oriental Paris hotel, following an especially complex urban redevelopment operation that our teams managed with style. During the year, good progress was made on the 92 Champs-Élysées building, which will house the Zara Group's flagship store in Paris at the end of 2012, and work began on the In/Out project in Boulogne. The "Old England" store premises on the Boulevard des Capucines were sold and the final units in the Galerie des Champs-Élysées shopping centre were delivered, complementing the H&M flagship store that opened in the centre at the end of 2010. Last but not least, the high level of investor interest in the €500 million inaugural bond issue launched in May 2011 attested to the Group's credibility on the financial markets.

We will continue to assertively develop the business, with the firm belief that we can count on the support of our shareholders and partners. In the name of the Board of Directors, I would like to express our gratitude to all of our staff for their professionalism, for the quality of their work and for their efforts over the course of this year. I would also like to add my thanks to all of our customers and shareholders for their confidence and their contribution in making SFL the benchmark player in the market.

Company profile

As the leading Paris prime commercial property specialist, SFL has a focused portfolio of exceptionally high quality office buildings and retail units in Paris's Central Business District (CBD) and in the capital's western crescent. Because the performance of our customers' teams is a prime concern, our office properties are designed to act as an outstanding lever to attract, retain and manage talent over the long term. That's why we adopt an innovative approach to building asset value, create an ambitious and sustainable offer and position ourselves as the leader in our segment, with a unique vision of the market.

Portfolio value, including transfer costs: €3,241 million

Property rentals: €151.6 million

Loan to value ratio: 35.5%

NAV/share (EPRA NNNNAV): €42.8

Portfolio: 356,900 sq.m., of which 75% offices and 24% retail units/hotel





Impelling change

The financial markets were very jittery last year, as volatility remained exceptionally high. How do you explain such good performance for SFL in this gruelling environment?

Bertrand Julien-Laferrière:

The year was very challenging for most businesses, but particularly for property companies that live daily with the quirks of the financial markets. SFL had to deal with this situation while also engineering a major organisational change that ushered in a cultural transformation. Paradoxically, the change resulted in greater adaptability, responsiveness and determination at a time when this was especially necessary, allowing Nicolas Reynaud and his staff to seize a narrow window of opportunity to launch a €500 million inaugural bond issue in May 2011, the first for SFL since 1997. The new mind-set also spurred our marketing teams to achieve excellent results in 2011, with twice the surface area let compared to the average for the period 2006-2010 at a high average rent of €648/sq.m. per year. I believe that in the years to come, we will have to live with market volatility and constantly adapt to the situation. SFL is now in good shape to meet this challenge.

How have values changed in this environment?

Bertrand Julien-Laferrière:

The investment market has segmented along very clear lines and the price gap has widened considerably between genuinely prime assets – in terms of their location, quality and rental potential – and other properties. This has even resulted in prime properties in Paris's Central Business District commanding record prices. SFL is ideally positioned in this environment. That explains the resilience of our portfolio values and NAV per share, which rose in 2011. For the same reasons, our share price declined by just 3% between 1 January and 31 December 2011, while the share prices of the main office property companies took a severe beating.

We are responding holistically to these structural changes and the resulting challenges, armed with a clear strategic vision, an established position in the Paris prime commercial


property market, well-matched resources and action plans, high professional standards and unshakeable determination. Drawing on these strengths, we will maintain clarity of mission as well as the ability to respond quickly to change.



Bertrand Julien-Laferrière – Chief Executive Officer of SFL

“THE COMPANY
HAS
UNDERGONE
A MAJOR
CULTURAL SHIFT.”



A photograph of a modern interior. In the foreground, a white desk holds a clear glass vase with two yellow flowers and some greenery. A desk lamp with a silver base and a white shade is positioned behind the vase, casting a warm glow. The background shows a white wall and a portion of a white pillar. The overall atmosphere is clean and professional.

Since your arrival as CEO of the company at the end of 2010, you've given fresh impetus to SFL, to the extent that most observers and partners of your company perceive a new SFL emerging. How has this transformation come about?

Bertrand Julien-Lafferrière:

The world that we live in is perpetually changing, at an ever-increasing rate. It's therefore essential to continuously take a fresh look at what we are doing, in order to move forward, adapt and change.

SFL had been locked into a stationary and compartmentalised operating mode for a long time. It had become necessary to act quickly and resolutely, while securing employee buy-in despite the legitimate anxiety always engendered by change.


We brought about the transformation in the usual way, through a shared and meaningful strategic perspective, a simple, comprehensible and efficient organisational structure, an enthusiastic management team committed to working together to achieve the common goal, clearly defined roles, responsibilities and processes, coherent compensation systems and above all, a positive outlook, because to succeed you have to enjoy what you are doing.

What was the key factor underpinning this successful transformation?

Bertrand Julien-Lafferrière:

Without a doubt, the human factor. Reinventing the company requires putting into motion a powerful virtuous cycle that helps everyone to grow and fulfil their potential, bringing about a profound change in the corporate culture. This transformation is based on individual and team empowerment, trust, exemplary leadership and shared successes.

We have been successful in bringing all of these conditions together at SFL. It has required a great deal of effort, much determination and a constant commitment to making our actions meaningful and consistent. The result is that our staff say that they feel as if they're working in a new company. Our teams are now gearing up to carry SFL in its new direction and to meet the challenges that we will encounter along the way.



What exactly is this new direction for SFL? Or rather, how can you improve on such an exceptional portfolio?

Bertrand Julien-Laferrière:

SFL's portfolio is certainly impressive, but it's not exceptional from my perspective. Some of our buildings have begun to show their age over the last ten or twenty years, occupancy has suffered as a result of splitting up leased space into multiple units and amenities aren't always up to standard. Efforts were made with positive results in 2011, but there is still plenty of room to improve, redesign and remarket properties in the portfolio. Since joining SFL, Dimitri Boulte has been working with his teams to develop a specific vision and value creation strategy for each asset. The objective is to build a truly exceptional portfolio of properties. This doesn't just mean working on the properties, it means putting the customer back at the centre of our business processes. In practical terms, we need to base our strategy and actions on an intimate knowledge of our market and of the requirements of our customers, who are placing talent and front office development at the forefront of their own value creation policies.

This proposition implies a complete transformation of our business and our professional culture, because it aims at making our customers recognise the value in use of their office space to the same extent or even more than the related cost. Our task is therefore to get office space back into its rightful place in the value chain of service businesses. SFL operates in the segment of the market that is the best able to understand and take on board these new paradigms. It has what it takes to be the leader in this new approach to the office property business and to create a new future for itself.



“OFFICES
ARE PART OF
THE VALUE
CHAIN OF
SERVICE
COMPANIES.”

Just what are your major development projects for the future?

Bertrand Julien-Laferrière:

Development is the third basic pillar of our ambition, alongside assertive asset management and innovative marketing. The successful opening of the Mandarin Oriental hotel in Paris in September 2011 will be followed by the “Ozone by SFL” building on the Champs-Élysées at the end of 2012. This building will house the Zara Group’s flagship store in France, as well as 4,200 sq.m. of prestigious single-occupant office space that is unique in Paris. Next door, in the 90 Champs-Élysées building, renovation of the Galerie des Champs-Élysées shopping centre by Jean Nouvel was completed in 2011, including H&M’s flagship store which opened in 2010, and the offices above the shopping centre are due to be renovated in 2012-2013. When all this work is completed, we will have two exceptional properties right in the middle of the most beautiful avenue in the world. Currently however, the best example of our professional excellence is probably the “In/Out by SFL” project in the Paris suburb of Boulogne. This project is also the most representative example of our teams’ ability to invent a product that is fully aligned with the needs of today’s best-performing companies.

SFL’s future will also include the redevelopment of 35,000 sq.m. of offices on rue Richelieu, in Paris’s 1st *arrondissement*, and we expect to have opportunities to purchase certain properties in 2012, as well as selling others – like 12 Capucines in 2011 – that do not fit into our core strategy.

As you can see, we are taking on an immense and captivating task. There is considerable scope for value creation, which makes deploying all our talent and energy worthwhile.

A new management team



TOP, FROM LEFT TO RIGHT: BERTRAND JULIEN-LAFERRIÈRE, Chief Executive Officer – NICOLAS REYNAUD, Managing Director and Chief Financial Officer
FRANÇOIS SEBILLOTTE, Chief Resources Officer, Secretary to the Board – DIMITRI BOULTE, Deputy Managing Director and Chief Operating Officer
BOTTOM, FROM LEFT TO RIGHT: FABIENNE BOILEAU, Director of Management Control and Accounting – FRANCK DATTÉE, Technical Director
FRANÇOIS DERRIAN, Human Resources Director – BÉNILDE ESCOUBOUÉ, Investments and Asset Management Director
FRANCK MORIN, Property Management Director – MARC STRAVOPODIS, Marketing Director



Governance

Board of Directors

Chairman

Juan José BRUGERA CLAVERO

Directors

Jean ARVIS, Jacques CALVET, Anne-Marie de CHALAMBERT, Jean-Jacques DUCHAMP, Carlos FERNANDEZ-LERGA GARRALDA, Carmina GAÑET CIRERA, Aref LAHHAM, Bertrand LETAMENDIA, Carlos LOSADA MARRODAN, Luis MALUQUER TREPAT, Pere VIÑOLAS SERRA, Anthony WYAND, REIG CAPITAL GROUP LUXEMBOURG SARL (represented by Alejandro HERNANDEZ-PUERTOLAS)

Corporate Officers

Bertrand JULIEN-LAFERRIÈRE, Nicolas REYNAUD

Secretary to the Board

François SEBILLOTTE

Works Council Representatives

Thierry BUHOT, Hanifa KHELIFA

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

Audit Committee

The Audit Committee met on 10 February, 14 March, 21 July, 16 November and 1 December 2011, with an average attendance rate of 85%.

Chairman

Carlos FERNANDEZ-LERGA GARRALDA

Members

Jean ARVIS, Jacques CALVET, Jean-Jacques DUCHAMP

Remuneration and Selection Committee

The Remuneration and Selection Committee met on 9 February, 4 March, 21 July, 23 September and 1 December 2011 with an average attendance rate of 95%.

Chairman

Pere VIÑOLAS SERRA

Members

Jean ARVIS, Juan José BRUGERA CLAVERO, Anthony WYAND

Executive and Strategy Committee

The Executive and Strategy Committee met on 11 April, 21 July, 16 September, 17 October and 4 November 2011 with an average attendance rate of 96%.

Chairman

Juan José BRUGERA CLAVERO

Members

Jean-Jacques DUCHAMP, Carmina GAÑET CIRERA, Aref LAHHAM, Pere VIÑOLAS SERRA

Committee of Independent Directors

This Committee did not meet in 2011.

Members

Jean ARVIS, Jacques CALVET, Anthony WYAND



CÉZANNE SAINT-HONORÉ



IN/OUT PROJECT



WASHINGTON PLAZA

2011 in review

An active marketing programme

In 2011, SFL signed leases with several prestigious tenants. Facebook France joined Zurich France at 112 Wagram, closing out marketing activities for the property. Lagardère Ressources and Constellium France leased space in Washington Plaza. Cézanne Saint-Honoré was selected by L.E.K. Consulting, a large international strategy consulting firm, and CBRE Global Investors, the leader in commercial property, set up base in the Edouard VII complex.

Exceptional redevelopment projects

In/Out, Paris's first urban business campus designed for high-performing companies, has obtained its building permit. Work has started on the project and delivery is slated for mid-2013.

In addition, the emblematic Ozone building with 4,200 sq.m. of offices and 3,400 sq.m. of retail space at 92 Champs-Élysées, has undergone one of the most intricate transformations seen in recent years in Paris. Delivery is set for the end of 2012.

A successful inaugural bond issue

On 17 May, SFL successfully completed a €500 million inaugural bond issue. The five-year bonds are due 25 May 2016 and pay interest at 4.625%.

The Mandarin Oriental in the spotlight

The Mandarin Oriental Paris, an exceptional redevelopment project signed by SFL, was inaugurated on 22 September 2011. This new gem amongst luxury Paris hotels and the first to receive HQE® certification based on hotel standards, led to SFL winning the SIIC “Ville et Avenir” prize. The Dsquared² and Ports 1961 flagship stores opened on the ground floor of the Mandarin are the finishing touches to this prestigious property located at 249-251 rue Saint-Honoré.

VILLE & AVENIR PRIZE WINNER



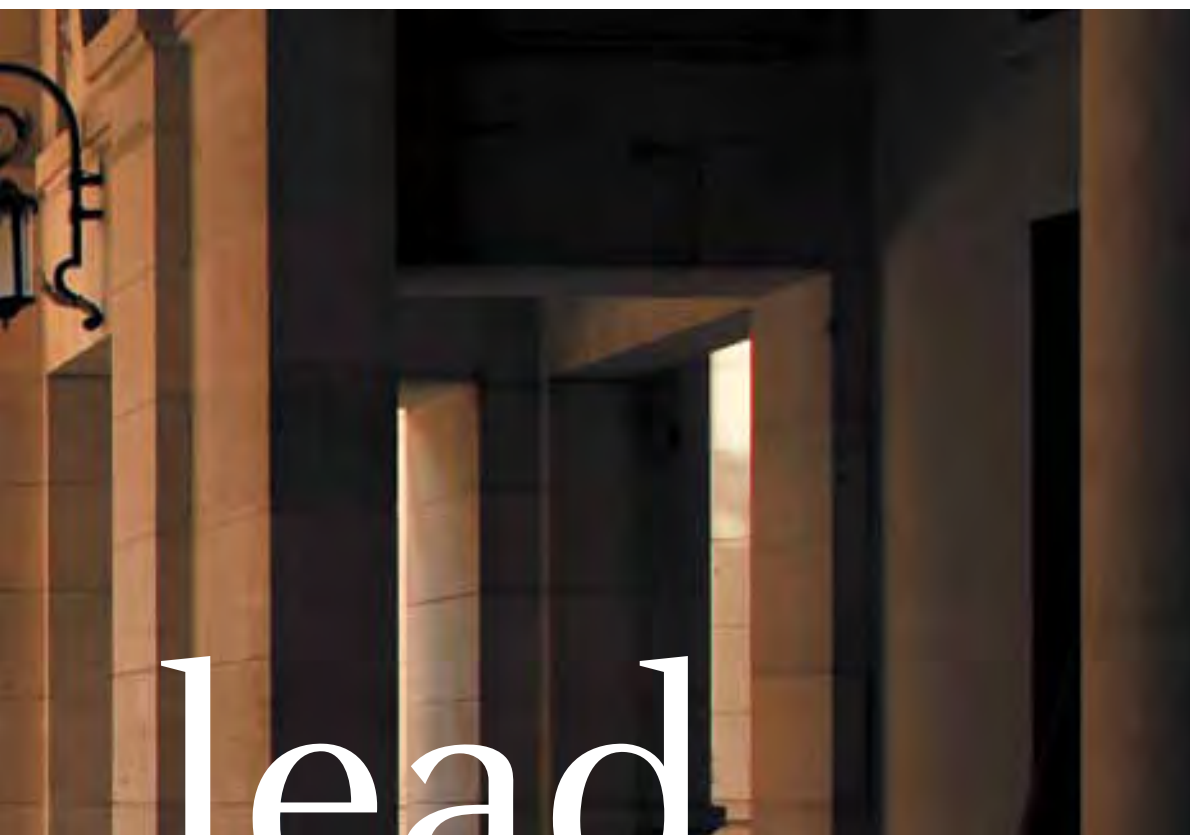
SFL, a long history

In 1879, Henri Germain, founder of the Crédit Lyonnais, set up Société Foncière Lyonnaise. In the early years, the Company acquired properties mainly in Paris and on the Côte d’Azur. By around 1900, it owned over 300 buildings and nearly 2,000 hectares of land in Paris. All through the 20th century, SFL pursued its strategy of acquiring and selling buildings, assembling a diversified portfolio of properties in Paris, on the Italian Riviera and in Belgium.

From 1995, under the ownership of the Victoire insurance group, SFL negotiated a change of strategy to concentrate on high-end commercial property in Paris’s Central Business District. The Company made an initial major acquisition – the Louvre des Entreprises & Louvre des Antiquaires complex – and pursued its development strategy.

Today, SFL has a clear strategic vision and is in excellent shape to meet the challenges to come. Its growth ambitions are supported by a stable shareholder base and governance structure – 53.4% of the shares are owned by Spanish property company Colonial – a strong balance sheet and an unambiguous position in the market.





Leading the Paris prime commercial property market

As the leading pure player exclusively dedicated to investing in prime commercial property in Paris's Central Business District, SFL's strong strategic vision makes it more than ever a force to be reckoned with in a market with ever more exacting quality standards.

We put our vision at the service of our customers, maintaining a strong conviction that an office building cannot be reduced to a simple commodity, to a number of square metres made available to a user or a cost centre to be optimised or reduced. It is above all a base for human activities, a platform for nurturing talent and a forum for strengthening the corporate culture.

This vision is shared by our prime customers, who know that the choice of offices doesn't boil down to a question of ratios, but determines what contribution the working environment makes to users and consequently to the company itself. In Paris, where economic activity is predominantly focused on the service sector, today's offices occupy a particularly important position in a company's value chain.

This new vision of the prime commercial property sector is based on the growing influence of the human factor in high-performing companies. At a time when it is absolutely necessary for our customers to innovate, invent and create new economic and business perspectives, human resources management is a major source of strategic leverage. That's why developing and retaining talent, in particular for the front office, has become the priority and is now at the core of companies' value creation strategies. And so, with fifteen years of a finance-based view of our business as a backdrop, it's time to put our customers and their staff back at the forefront of our concerns and actions.

“OFFICES ARE
THE PLATFORM
FOR NURTURING
TALENT AND A FORUM
FOR STRENGTHENING
THE CORPORATE
CULTURE.”





We are by conviction specialists who have chosen to invest exclusively in prime commercial property in Paris. For several years we have been refocusing our portfolio on this segment of the market.

However, not satisfied just being owners of buildings in good Paris locations, we decided to aim at becoming the undisputed leader in that market. This is a position that requires a detailed understanding of the market segment, specialised knowledge, a high level of expertise and a strong capacity for delivering products and amenities closely aligned with the changing requirements of high-performing companies.

lead

Being the leader also means having a very accurate picture of our customers. Our core targets are generally looking to rent whole floors or large, well laid out areas ranging from 1,000 to 5,000 square meters, close to public transportation, an uplifting and motivating work environment for staff, quality user amenities and faultless technical management. In 2011, we implemented a number of measures to meet these exacting requirements. These included reorganising the Company by discipline, making certain changes to the management team and increasing customer service resources. We also set higher quality standards as well as instilling a new culture and changing attitudes so that all staff work toward the shared objective of making our prime commercial properties one of the levers for improving the performance and well-being of our customers' teams.

We are a force to be reckoned with, more so each day. This is because of our exceptional portfolio of unique commercial properties in terms of size and location, but also because of our teams' advanced expertise in developing and redeveloping buildings on the most complex and most attractive sites in Paris.


We are a major force not only because of our property portfolio, which is unrivalled in terms of size and product type, but also because of the very high quality amenities we provide. SFL is acknowledged as having the finest offer in the heart of the capital, and we are set to extend our edge by increasing the portfolio's quality, performance and size in a Paris commercial property market which, along with London's, is one of only two European markets with world class scale and visibility.



We are all the more dominant because the Paris Central Business District, which is the main focus of our portfolio, no longer has significant potential for growth in supply, the major back office operations having migrated to La Défense and the outer suburbs in the last ten years. The Central Business District is therefore now a stabilised market, primarily led by the imbalance between a steady demand for space and very short supply of high quality buildings, where price segmentation is increasingly determined based on the quality of the product and amenities. In this promising environment for SFL, our portfolio will soon be focused exclusively on the prime segment.

Recently, the Lagardère group, Zurich Insurance, Constellium (ex-Alcan), the consulting firm LEK, ESMA (the European Securities and Marketing Authority), CBRE Investors, Louis Vuitton Malletier and Facebook have all joined the group of prestigious leading businesses that are customers of SFL.





“NOT SATISFIED JUST BEING OWNERS OF BUILDINGS IN GOOD PARIS LOCATIONS, WE DECIDED TO AIM AT BECOMING THE UNDISPUTED LEADER IN THAT MARKET.”

At the same time, certain government administrations such as the Conseil d'État have freed up space that can be leased after renovation to other blue-chip companies. The last back office operation housed in one of our properties, the rue de Richelieu building occupied by LCL (formerly Crédit Lyonnais), will be vacated in mid-2012, thus liberating 35,000 sq.m. of space for a real estate project unique for Paris in terms of size, quality and location. These changes will give us even greater capacity for accommodating the front office operations of leading companies.



IN/OUT

The In/Out project is a unique urban business campus concept developed on 1.6 hectares of land in the Paris suburb of Boulogne with magnificent views of the Seine, of Saint-Cloud Park and the Bois de Boulogne. The project boasts surface area of 35,000 sq.m. and comprises two components – an exceptional 31,000-sq.m. industrial building converted to offices for up to 2,300 people, and an ultra-contemporary 4,000-sq.m. services centre offering restaurants, a cafeteria, fitness facilities, modular meeting rooms and an amphitheatre. The building permit has been obtained and work has begun for mid-2013 delivery.



A DIFFERENT KIND OF OFFICE PRODUCT DESIGNED TO MEET THE NEEDS OF TODAY'S LARGE COMPANIES.



000 SQ.M. >

Designed for employees of high-performing companies, the In/Out project will improve its users' efficiency and well-being. Proof of this lies in the unmatched working environment it provides, offering an exceptional quality of life and excellent on-campus communication, a unique office space aligned with new ways of organising work flows – with 4,200- sq.m. floors flooded with light, a 1,600 sq.m. planted patio, terraces on the top floor, naturally lit stairwells, numerous relaxation areas – and tightly controlled operating costs. Parking areas and non-public plant rooms are also available to meet the specific requirements of future users.

The In/Out complex is also in the heart of a forward-looking community revival project called *Vallée de la Culture*. A fine example of urban renewal and architectural ambition, it is a place where business activities will be conducted alongside cultural and creative activities, stimulated by the cultural dynamic that thrives on the Ile de Seguin. It will also set an example in terms of its environmental footprint, with redevelopment work set to meet ambitious energy-efficiency goals (60% reduction in greenhouse gas emissions, BREEAM "Very Good" rating, LEEDS "Platinum" rating, HPE Effinergie "Exceptional" rating). All of these remarkable qualities were recognised at the MiPiM international real estate fair, where In/Out was nominated one of the Best Futura Projects.



AN AMBITIOUS AND EXEMPLARY URBAN BUSINESS CAMPUS PROJECT IN PARIS.





Building asset value

As the leader in the capital's prime office and retail property market, SFL is now resolutely focused on applying a dynamic and differentiating property management strategy.

Setting us apart from most other French commercial property companies, our innovative management approach ensures that we respond effectively to the escalating demands of leading companies, with a distinctive offer meeting the highest environmental standards. Such an offer cannot be found elsewhere, given the shortage of suitable properties and limited competing products. Our proactive asset management strategy aims to constantly reinvent the portfolio and the services offered to customers. It's a question of working on the cost/quality tandem and aligning the price with the tangible and intangible value in use of the office or retail space for our customers. To meet this objective, we use several levers that are also a powerful source of competitive advantage. The first is our relationship with our customers, which is based on building their loyalty, improving our service offer, implementing new approaches, increasing transparency and partnerships, analysing customer and user satisfaction levels and bringing value to our customer services.

We are also committed to bucking the trend by restoring single-tenant occupancy, recreating large, exquisite low-rise office buildings – rare in Paris – and redesigning the common areas of our buildings in order to infuse them with character.

The other levers include positioning each building according to the target customers and aligning marketing methods with our strategic objectives. Then there is the redevelopment of obsolete sites, to which we inject new life by creating products that fit seamlessly with the ever-changing requirements of leading companies. We also have the option of selling less strategic properties or those that are outside of our core business line. Alternatively, we may acquire properties that will benefit from our value creation expertise.

Making sustainable development the focal point of our premium offer also adds value to the portfolio. By demonstrating the environmental quality of our buildings, we emphasise to an even greater extent our premium positioning and that of our properties.



“OUR INNOVATIVE
MANAGEMENT
APPROACH
ALLOWS US
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DIFFERENTIATED
OFFER.”



Our unique expertise is now more creative and better attuned to the expectations of our customers. It also more effectively addresses marketing and financial imperatives. This makes it a powerful instrument for converting challenges into opportunities.

In Paris, few companies are able to manage the complex issues inherent in transforming existing properties, which include finding their way through a maze of urban, historic, architectural, technical, administrative and financial constraints. Even fewer can conceptualise the type of property that fully addresses the very specific requirements of an increasingly demanding upscale clientele. This ability to create value, a skill unique to SFL, has been considerably strengthened over the past year, driven by the new management team and by the Company's in-depth transformation. It is based on a very precise alignment of all the issues and the tactical management of all the levers that make a project a success.

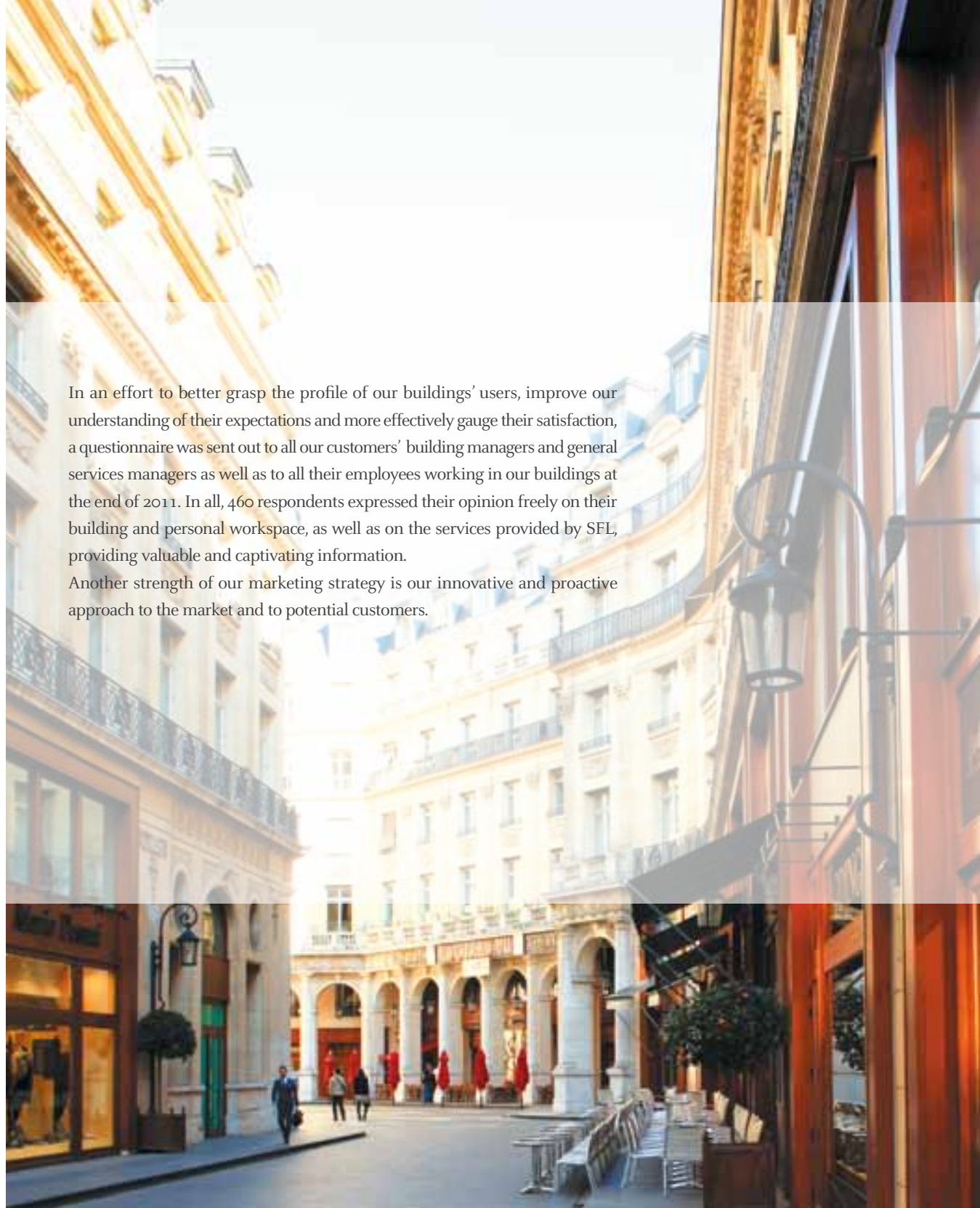
The result is a series of achievements that few commercial property companies in Paris can rival, including the Mandarin Oriental Hotel, 82 - 92 Champs-Élysées, and the In/Out project in Boulogne.

h m i l

In 2011, our assertive marketing policy helped to put our customers back at the centre of our business processes. We have restored property management to its rightful place and transformed an administrative activity into a customer relations tool. And we are also paying closer attention to customers' needs in order to offer them the best possible solutions. This is all part of the unique approach designated by the "by SFL" label, which will now be affixed to each project name as the hallmark of the way we operate in the Paris prime commercial property market.



In an effort to better grasp the profile of our buildings' users, improve our understanding of their expectations and more effectively gauge their satisfaction, a questionnaire was sent out to all our customers' building managers and general services managers as well as to all their employees working in our buildings at the end of 2011. In all, 460 respondents expressed their opinion freely on their building and personal workspace, as well as on the services provided by SFL, providing valuable and captivating information. Another strength of our marketing strategy is our innovative and proactive approach to the market and to potential customers.





“OUR UNIQUE
EXPERTISE IS
A POWERFUL
INSTRUMENT
FOR CONVERTING
CHALLENGES INTO
OPPORTUNITIES.”

In a professional arena in France that continues to obscure market values by creating a separation between headline rents and real rents, we have taken the high road of transparency and a more open and structured approach in lease negotiations. This new approach enabled us to outperform our peers in 2011 in terms of marketing. New leases signed during the year represented double the average surface area let in the years 2006 to 2010, and average rents were at the high end of the range at €648 per sq.m. for headline rents and €562 per sq.m. for real rents. The value machine is up and running, with a clear strategy and detailed action plans for each of our properties.





82 - 92

Champs-Élysées

The value creation strategy implemented by SFL for a building on the world's most beautiful avenue focused on restoring 10,000 sq.m. of retail space and redeveloping 10,000 sq.m. of offices. Atelier Jean Nouvel/SRA was commissioned to bring the Galerie des Champs-Élysées shopping centre up to date. H&M and Morgan chose the location for their flagship stores, signing leases on 4,000 sq.m. and 670 sq.m. respectively, soon to be followed by Zara, which will lease 2,000 sq.m. The upper floors were also extensively modernised, to create exceptionally high quality offices.

This urban reinvention project on an emblematic thoroughfare was carried out in close coordination with the City of Paris, the Champs-Élysées Committee and the retailers. Building facades were restored with particular care by the architects and set off to their best advantage by the exterior night-time lighting system designed by Yann Kersalé. SFL helped to ensure that the centre attracts significant footfall by providing a comprehensive, attractive and high quality retailer selection.

For each programme, a unique concept is chosen, a dedicated project team is set up and a technical and marketing audit is performed. For example, in 2011 SFL initiated an office redevelopment study at 90 Champs-Élysées, working on a reconfiguration plan for each 1,200-sq.m. floor (unusually large for buildings on this avenue) to create coherent, functional and fully restructured units. Launched at the beginning of 2012, this project seeks to progressively take back the building and the floors.

The "Ozone by SFL" project is a reinvention of an emblematic building that is making the office section of 92 Champs-Élysées a benchmark in Paris and on the Champs-Élysées. With its 4,200 sq.m. of exceptional office space and HQE® certification, Ozone will be a one-of-a-kind solution for a company looking for offices in the Golden Triangle sector that are in keeping with its image and its commitment to helping employees deliver their best possible performance. When the project is completed at the end of 2012, it will be one of the most exceptional and probably the most complex transformations of the last few years in Paris.



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EMPLOYEES CAN BE ACCOMMODATED AT 92 CHAMPS-ÉLYSÉES,
IN A PRESTIGIOUS YET PEOPLE-FRIENDLY BUILDING.



THE FIRST HAUSSMANN-STYLE CUT STONE BUILDING ON THE CHAMPS-ÉLYSÉES TO UNDERGO REDEVELOPMENT TO HQE® STANDARDS.







Designing properties that meet high environmental standards

We tackled the sustainable development issue head-on in 2011 by placing it at the centre of our prime offering to customers, on the same level as other major considerations.

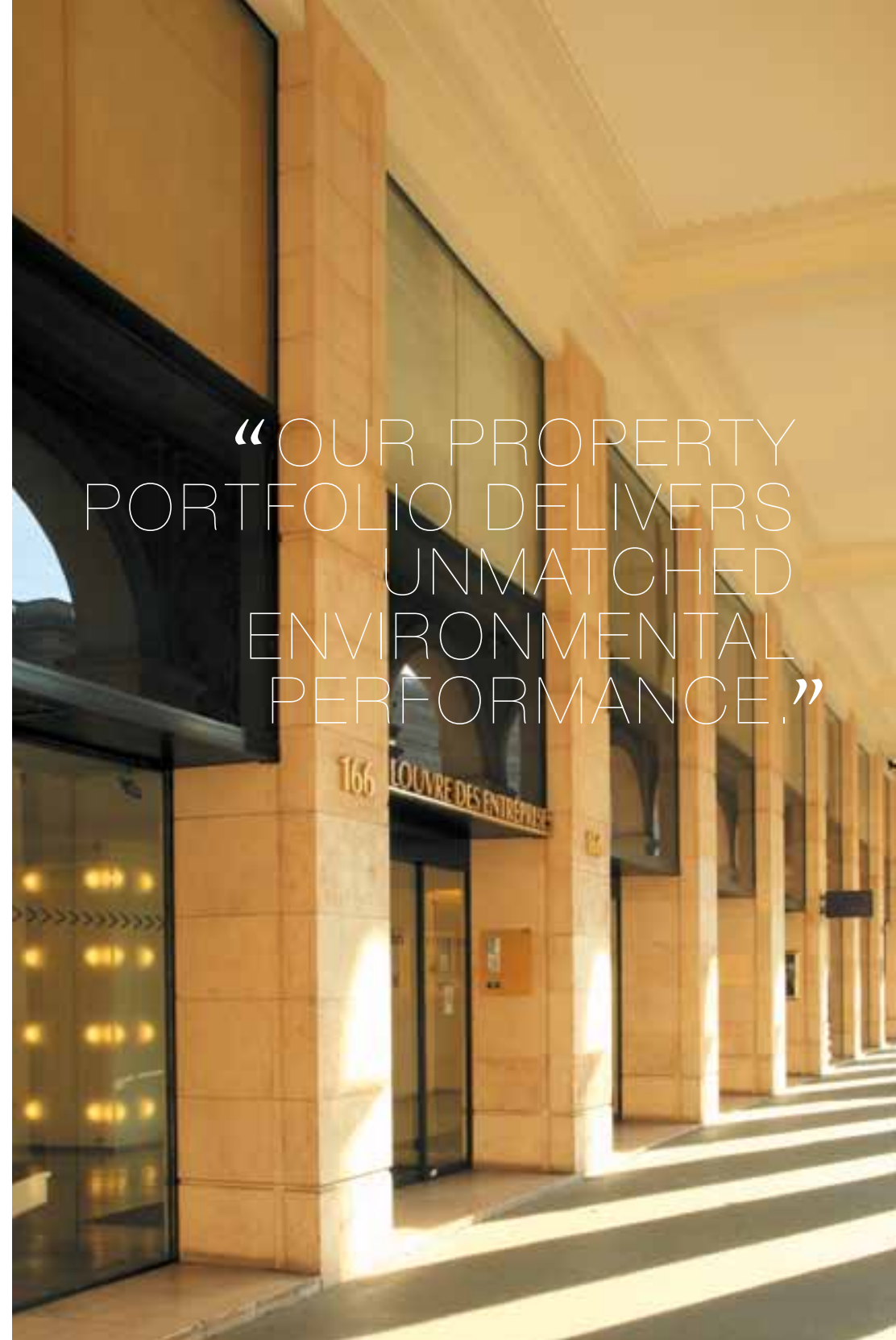
The unmatched environmental performance of our properties, in terms of greenhouse gas emissions, is based on a very rare combination of strengths:

- › Most of our buildings were built after the second oil shock and thus have good energy performance levels.
- › The buildings are particularly well laid out, allowing optimal use of office space per workstation and occupancy ratios that are among the best in the property industry.
- › They offer good access to a wide range of different public transport solutions, allowing over 80% of occupants and visitors (customers and suppliers) to avoid using their vehicles, thus limiting their CO₂ emissions.
- › And of course, they have the improved carbon footprint that results from the low proportion of fossil fuels used in primary energy production in France.

This performance can now be measured using a dual approach. The first, a customer survey, provided interesting information about transport use and travel time: 63% of people who work in SFL buildings use public transport for their daily commute, while 12.5% walk or cycle to work. The second is the carbon audit performed in 2011 on a trial basis on two of our properties before being rolled out to the rest of the portfolio. We are therefore able to demonstrate that CO₂ emissions per workstation in our buildings are among the lowest in the world, even when compared for example with a positive energy building located in the inner suburbs.



“OUR PROPERTY
PORTFOLIO DELIVERS
UNMATCHED
ENVIRONMENTAL
PERFORMANCE.”





And yet, we have to do more. We've started by launching an intensive work programme for 2012-2013. Among the programme's objectives is to assess the overall carbon footprint, including the impact of transport, produced by all of our office buildings. It also seeks to obtain the most ambitious sustainable development certifications, based mainly on the BREEAM method, for all development, construction and redevelopment operations. Another component of the programme has been to set a challenging schedule for achieving a 20% reduction in energy use in the common areas of a sample group of directly managed buildings (representing 84% of the portfolio in terms of surface area) by the end of 2013. Lastly, with the continued rollout of green leases, begun in 2011, the programme is fostering greater interchange and dialogue with our tenants. The idea is to institute a reliable system for measuring and developing a comprehensive overview of energy use in common and private areas, as well as of waste water and other waste produced in these respective areas, then to establish a joint action plan with tenants to improve the environmental footprint of our entire portfolio.

design

As part of an exemplary social commitment, we are working on making our buildings more accessible to disabled persons. They should be able to access all of the common areas in the same way as able persons and easily navigate the private areas as well.

This programme, the first in France for a company with an office portfolio the size of ours, will be carried out gradually, with the aim of covering 60% of the portfolio by the end of 2012, 85% by the end of 2013 and 100% by the end of 2015.

Our level of motivation is identical in the area of employment. We want to contribute to Paris's vibrant job market, especially for service industry jobs, and have formed a collaborative relationship with Paris Développement, the municipal structure for assisting companies to set up operations in Paris. Another example of this commitment was provided with the opening of the Mandarin Oriental Hotel. Leveraging our close relations with the *1st arrondissement* city hall, we helped bring about the hiring and training of staff for the newly created permanent skilled jobs in the luxury hotel sector. We remained a major customer of the construction industry in 2011 and will continue to contribute to demand in 2012 and 2013, with large projects in the pipeline. This source of work – and therefore employment – is especially appreciated among construction companies in France, who are currently struggling to cope with a serious loss of momentum.



“AN EXEMPLARY
COMMITMENT
TO MAKING OUR
BUILDINGS MORE
ACCESSIBLE.”

In line with our commitment to society, we set very high standards for architectural quality, design and artistic creation. The objective is both to protect and to enhance our portfolio of culturally and historically significant buildings and to promote an innovative, very contemporary architectural approach. The In/Out project in Boulogne, the Ozone project and the future redevelopment of the Îlot Richelieu property are a reflection of this ambition.

In 2011, we also organised our first “Mémoires Contemporaines” event, involving the production of ephemeral monumental art installations, on the occasion of the In/Out project launch in Boulogne. This important cultural event brought the worlds of real estate and the arts together around Norwegian artist Per Barclay and French artist Alain Bublex, with whom our customers were invited to share an exceptional contemporary art experience.

This initial event was commemorated by the publication of a book distributed amongst our customers and partners. It will be followed by other cultural events in the coming years, to anchor SFL ever more firmly at the centre of the contemporary design community.

Consistent with the artistic, cultural and profile-raising value of these initiatives, a collection of contemporary art will be built up around the themes of architecture and the city. It will be comprised exclusively of commissioned works, corresponding to ephemeral or permanent, fixed or mobile creations that generally bear some relation to our buildings. We believe strongly in the legitimacy of this cultural positioning, which matches our customers’ high level of sophistication and offers an alternative view of our business environment.



MÉMOIRES CONTEMPORAINES 1

A metaphor for the transformation of an emblematic industrial building in Boulogne-Billancourt, SFL's first art event brought together two internationally known artists for the In/Out project launch. Reflecting on time and space, Norwegian artist Per Barclay and French artist Alain Bublex created two ephemeral monumental art installations.



Alain Bublex – The phantom house



Per Barclay – 46, quai Le Gallo, Boulogne – photo 5567



Per Barclay – 46, quai Le Gallo, Boulogne – photo 5529

REALITY MINGLES WITH THE IMAGINATION IN THE "PHANTOM HOUSE", A VIRTUAL CONCEPT THAT GRADUALLY DISAPPEARS, AS WILL THE EXISTING BUILDING AT THE END OF THE PROJECT • A 1,500 SQ.M. SPACE COATED IN OIL THAT REPLICATES VOLUMES AND MAGNIFIES THE BUILDING'S MONUMENTAL ARCHITECTURAL STYLE • PER BARCLAY'S "OIL ROOM" TURNS SPATIAL AND SENSORIAL RELATIONSHIPS UPSIDE DOWN: STANDING AT THE EDGE OF THE WORK, THE VIEWER IS LOST IN A VIRTUAL ABYSS THAT REVEALS THE MAJESTY OF THE SITE.

THE SFL CONTEMPORARY ART COLLECTION



Alain Bublex – Plug-in City (2000) – 68/74, quai de la Rapée, Paris, 2011



Alain Bublex – Plug-in City (2000) – 10, place Édouard VII, Paris, 2011

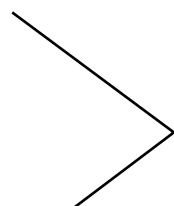
Photographs by Per Barclay and Alain Bublex are the first works to be included in SFL's Contemporary Art collection on the themes of architecture and the city. A totally new adventure for SFL, born of its resolve to look at sites from an artist's perspective, to question the meaning of social and spatial metamorphoses and to share in the pursuit of excellence.

MANDARIN ORIENTAL

As the designer of a new form of city living, in 2006 SFL acquired a 22,000 sq.m. office building on the rue Saint Honoré that had stood vacant for a long time. After a lengthy renovation programme, the complex was transformed into an outstanding hotel with 138 rooms and suites in the heart of Paris, featuring two luxury boutiques, Dsquared² and Ports 1961. The hotel was delivered to the Mandarin Oriental Hotel Group in June 2011.



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PERMANENT JOBS CREATED, OF WHICH 150 FILLED DURING THE RECRUITING DAYS ORGANISED IN PARTNERSHIP WITH THE CITY OF PARIS.



THE FIRST PARISIAN LUXURY HOTEL TO BE AWARDED HQE® CERTIFICATION.



Ideas, partners and talent combined to complete this exceptional complex. The project brought together the most talented group of architects and designers in Jean-Michel Wilmotte, Sybille de Margerie, Patrick Jouin and Sanjit Manku. The project was also an opportunity to leverage strong partnerships to create local jobs. A total of 150 positions were thus created within the Mandarin Oriental group, in the wake of the recruitment forum set up by the 1st *arrondissement* city hall. In all, 350 permanent jobs grew out of this project.

The unique character of the hotel revolves around its central patio – the largest planted courtyard for a Paris hotel – which shields guests from the bustle of the rue Saint-Honoré. Luxury was infused into every detail. Each of the 138 rooms is laid out according to feng shui principles and the common areas including the Bar 8, the Spa, the Camelia and the Sur-Mesure under chef Thierry Marx are hotspots for guests. Very high quality materials, interior design features and a great overall design combine to make this a flagship property for the hotel operator, an absolute “must see” in Paris and a showcase for SFL’s expertise.

The Mandarin Oriental Paris is an exemplary hotel in more ways than one, after becoming an SFL pilot project for hotel environmental certification. It is the first luxury hotel in France to obtain HQE® hotel certification and was awarded the SIIC “Ville et Avenir” prize at the last commercial property fair in France.



Per Barclay – 46, quai Le Gallo, Boulogne (detail)



Driving performance

2011 was a year of growth in property rentals (up 6.6% on a comparable portfolio basis), portfolio appraisal values (up 5.8% on a comparable basis) and consolidated net profit (up 9.9%).

Property rentals up 6.6% on a comparable portfolio basis

Property rentals amounted to €151.6 million in 2011, compared with €174.9 million in 2010. 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.

CONTRIBUTION TO CONSOLIDATED EBITDA BY PROPERTY
(thousands of euros)

	2011 contribution	2011	2010
ÉDOUARD VII	19.1%	26,810	24,741
WASHINGTON-PLAZA	12.5%	17,501	16,557
LDE LDA	11.3%	15,851	16,232
RICHELIEU	10.0%	14,042	13,641
CÉZANNE ST-HONORÉ	9.1%	12,756	15,204
RIVES DE SEINE	8.1%	11,364	11,167
MANDARIN ORIENTAL PARIS	5.3%	7,411	(338)
GALERIE DES CHAMPS-ÉLYSÉES	3.7%	5,143	4,419
131 WAGRAM	3.4%	4,757	4,707
HAUSSMANN ST-AUGUSTIN	3.2%	4,540	4,461
IENA	3.1%	4,404	4,251
103 GRENELLE	2.9%	4,025	301
NEUILLY	2.0%	2,852	2,728
90 CHAMPS-ÉLYSÉES	1.4%	1,898	1,995
LE VAISSEAU	1.3%	1,812	1,841
112 WAGRAM	1.2%	1,621	(47)
OZONE	0.9%	1,287	921
IN/OUT	0.3%	379	(223)
HANOVRE	(0.2%)	(271)	1,236
Buildings in the portfolio at 31 December 2011	98.4%	138,181	123,792
CAPUCINES	1.7%	2,339	2,384
TOUR LES MIROIRS	-	0	25,198
TOUR COFACE	-	5	11,107
PAVILLON HENRI IV	-	(4)	34
OTHER ASSETS	-	(38)	11
Sold properties and other	1.6%	2,302	38,734
TOTAL CONTRIBUTION OF PROPERTIES TO EBITDA	100%	140,483	162,526
CORPORATE COSTS		(14,847)	(14,816)
TOTAL EBITDA		125,636	147,709

UNDERLYING ATTRIBUTABLE PROFIT (EPRA earnings)
(in millions of euros)

	2011		2010	
	Recurring EPRA	Non recurring	Recurring EPRA	Non recurring
Property rentals	151.6	0	174.9	0
Property expenses, net of recoveries	(10.6)	0	(13.1)	0
<i>Net property rentals</i>	<i>141.0</i>	<i>0</i>	<i>161.8</i>	<i>0</i>
Service and other revenues	3.4	0	5.2	0
Depreciation, amortisation and provision expense, net	(0.3)	0	(1.1)	0
Employee benefits expense and other expenses	(18.8)	0	(19.3)	0
Operating profit before disposals and fair value adjustments	125.4	0	146.6	0
Profit/(loss) on asset disposals	0	7.7	0	(33.9)
Fair value adjustments to investment properties	0	98.1	0	107.0
Share of profits of associates	11.7	7.0	0	13.3
Finance costs and other financial income and expense	(49.1)	(4.6)	(43.5)	(4.4)
Income tax expense	(2.1)	(0.9)	(1.7)	(8.5)
Profit for the year	85.9	107.2	101.5	73.6
Attributable to non-controlling interests	(4.7)	(7.5)	(4.8)	(5.6)
Attributable to equity holders of the parent	81.2	99.7	96.7	68.0
Average number of shares (thousands)	46,529		46,525	
Underlying attributable earnings per share	€1.74		€2.08	

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. Attributable net profit for the year came in at €180.9 million compared with €164.6 million in 2010. Underlying attributable net profit (EPRA earnings) amounted to €81.2 million in 2011 versus €96.7 million the year before.

drive

Portfolio value

€3,241m > APPRAISAL VALUE (GROUP SHARE),
INCLUDING TRANSFER COSTS

356,900 sq.m. > TOTAL SURFACE AREA (GROUP SHARE),
OF SFL'S 19 PROPERTIES

Rent

€151.6m > PROPERTY RENTALS

94% > OCCUPANCY RATE

Results

€180.9m > ATTRIBUTABLE
NET PROFIT

€81.2m > ATTRIBUTABLE UNDERLYING PROFIT
(EPRA EARNINGS)

€42.8 > EPRA NNNV/SHARE

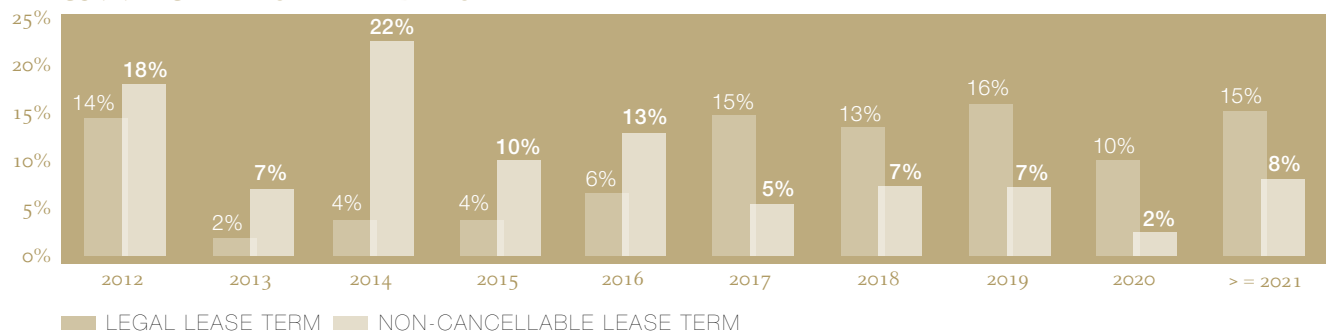
A dynamic business environment

In 2011, SFL successfully marketed over 30,000 sq. m. of office and retail space in a very selective rental market where lease negotiations were a long drawn out process. Of the total, 20,000 sq. m. were let to new customers at an average headline rent of €648/sq. m. for offices, corresponding to an average real rent of €562/sq.m. The occupancy rate, excluding properties undergoing renovation or redevelopment, rose to 94% at 31 December 2011 from 90% at the end of 2010. Two thirds of the unoccupied space is in the 103 Grenelle and Washington Plaza properties. In contrast, 112 Wagram, delivered in October 2010, and the Mandarin Oriental Paris, completed in April 2011, are fully let.

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-Élysées, 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.

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. The Old England store at 12 boulevard des Capucines, Paris 9, was sold in December 2011. The transaction price for this small, non-strategic asset represented an 18% premium to its most recent appraisal value.

COMMERCIAL LEASE EXPIRY DATES



A solid balance sheet

In May 2011, SFL launched a €500 million inaugural bond issue. The 5-year bonds were rated BBB-/stable by Standard & Poor's in April 2011. Tapping the financial markets directly has enabled SFL to diversify its financing sources at a time when bank credit is less readily available. The proceeds from the bond issues were used to repay drawdowns on the Group's revolving credit lines which have been retained as confirmed, unused facilities.





Net debt amounted to €1,243 million at 31 December 2011, 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. The bond issue accounted for 40% of total debt and the remaining 60% consisted of bank financing. The average cost of debt after hedging was 4.2% at end-2011 and the average maturity was 3.7 years.

At 31 December 2011, SFL also had €610 million in unused lines of credit.

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

Debt indicators

€1,243m > NET DEBT
3.7 YEARS > AVERAGE MATURITY

DEBT STRUCTURE

(in millions of euros)

	31 Dec. 2011	31 Dec. 2010	Change
Bonds	500	-	+500
Syndicated revolving credit line	240	645	-405
Other bank facilities	411	395	+16
Lease financing	104	175	-71
Total debt	1,255	1,215	+40
Average maturity (years)	3.7	3,4	+0,3
Average spot cost (after hedging)	4.2%	4.1%	+0.1 pt
Cash and cash equivalents	12	14	- 2
Net debt (debt less cash and cash equivalents)	1,243	1,201	+ 42
Portfolio appraisal value (including transfer costs)	3,241	3,120	+ 121
SIIC de Paris shares	266	252	+ 14
Loan-to-value ratio	35.5%	35.6%	-0.1 pt
Unused lines of credit	610	205	+ 405

35.5% > LOAN-TO-VALUE RATIO
4.2% > COST OF DEBT

NAV up 5.4%

The portfolio was valued at €3,086 million excluding transfer costs at 31 December 2011, corresponding to a replacement value, including transfer costs, of €3,241 million. The increase over the year was 4.3%. On a comparable portfolio basis, the year-on-year increase was 5.8%, primarily reflecting the uplift applied to recently delivered properties and properties undergoing redevelopment or renovation. EPRA NNNAV stood at €1,993 million or €42.8 per share at 31 December 2011 compared with €40.6 per share at the previous year-end, an increase of 5.4%.

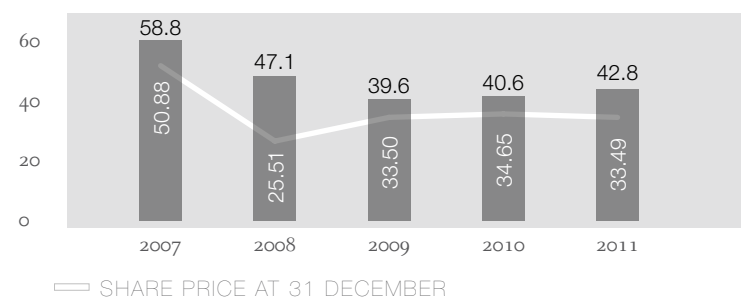
Appraisal values

The appraisal value of SFL's assets was €3,086 million excluding transfer costs at 31 December 2011, compared with €2,960 million at end-2010. On a comparable portfolio basis, including properties under renovation, appraisal values increased by 5.8% over the year. The spot yield excluding transfer costs for the portfolio as a whole is 5.5%, calculated as follows: Spot yield = (passing rent + estimated market rent)/(appraisal value including transfer costs + discounted Capex).

Spot yields

5.6% > OFFICES 5.1% > RETAIL UNITS 3.7% > RESIDENTIAL 6.6% > PARKING GARAGES

GROWTH IN EPRA NNNAV/ SHARE (in euros)



ADJUSTED NAV (in millions of euros)

	31 Dec. 2011	31 Dec. 2010
Equity	1,948.3	1,865.2
Treasury stock and stock options	16.4	16.1
Unrealised capital gains	3.2	8.4
Elimination of financial instruments at fair value	47.1	41.4
Elimination of deferred taxes	62.7	63.5
EPRA NAV	2,077.7	1,994.6
EPRA NAV/share	€44.7	€42.9
Financial instruments at fair value	(47.1)	(41.4)
Fixed rate debt at fair value	24.6	-
Deferred taxes	(62.7)	(63.5)
EPRA NNNAV	1,992.5	1,889.7
EPRA NNNAV/share	€42.8	€40.6
Transfer costs	154.4	160.1
NAV including transfer costs	2,146.8	2,049.8
NAV including transfer costs/share	€46.1	€44.1

Stock Market Performance

SFL shares performed well in the first four months of 2011, reaching a high for the year of €43.42 on 13 April, before holding steady through the end of June at around €40.00. During the second half of the year, the share price fell in an extremely volatile market with strong downward tendencies, to close the year at €33.49, down 3.3%. This performance was nevertheless better than that of the market indices, with EPRA Europe down 13.2%, the SIIC index down 16.5% and the CAC 40 down 17.0%.

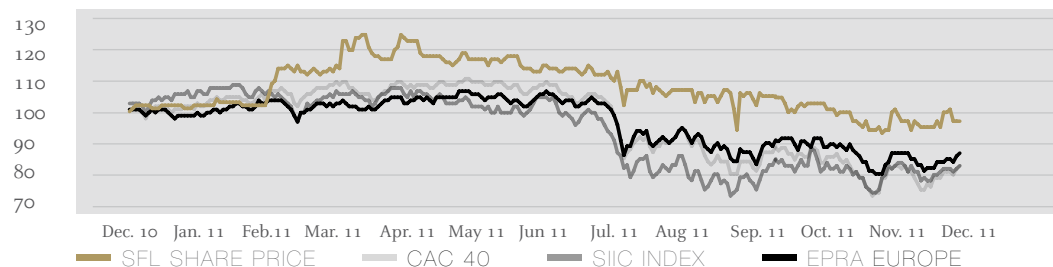
Ownership structure

Colonial's stake in SFL's capital has remained stable at 53.5% since January 2009. In March 2011, Eurohypo AG sold its 7.25% interest in SFL to Unibail-Rodamco. This was the only change in SFL's ownership structure.

Dividend

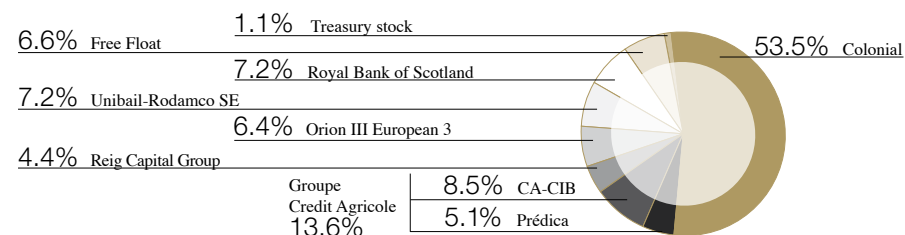
At the Annual General Meeting of 19 April 2012, the Board of Directors has decided to recommend to the shareholders a dividend of €1.40 per share.

STOCK MARKET PERFORMANCE



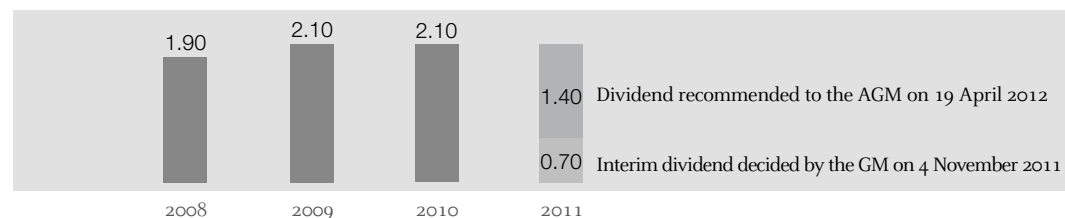
OWNERSHIP STRUCTURE

(at 31 December 2011)



DIVIDEND PER SHARE

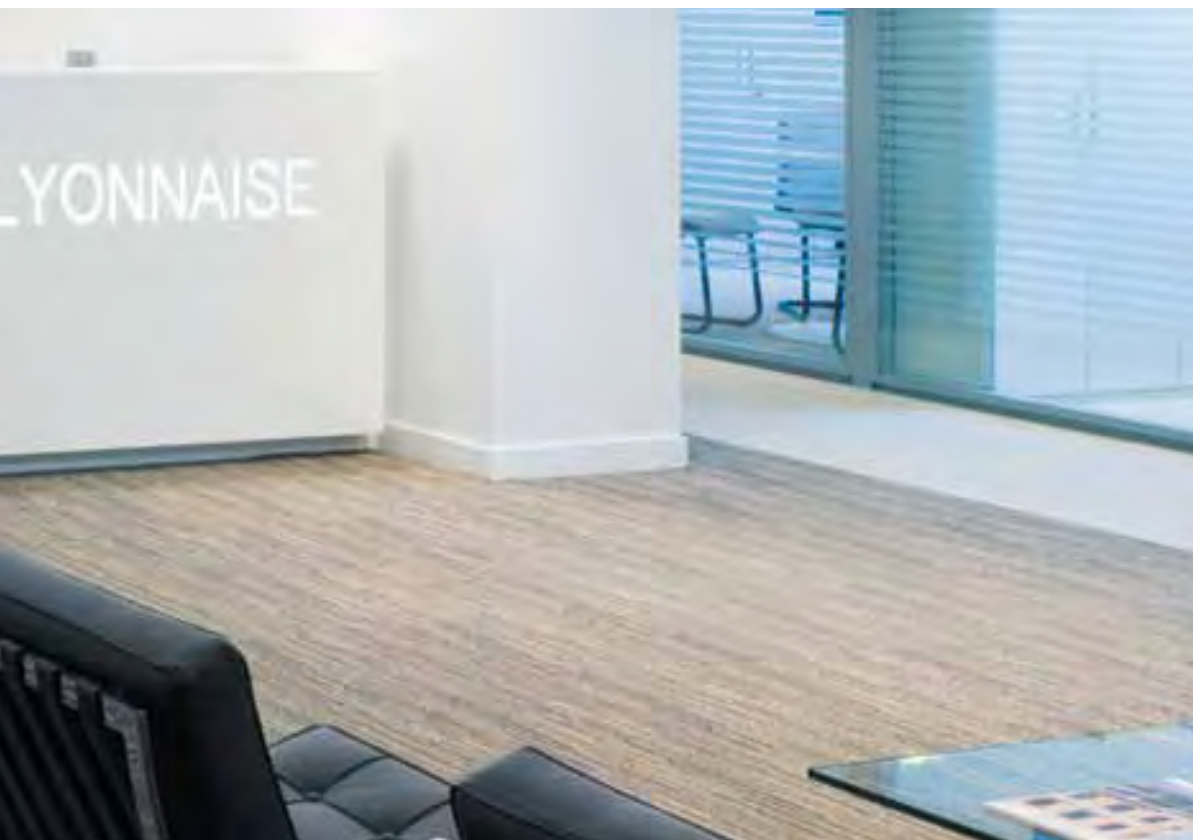
(in euros)



The entire portfolio is valued at six-monthly intervals, in December and June. The portfolio valuations are carried out by independent experts BNP Paribas Real Estate, Jones Lang LaSalle and CB Richard Ellis, primarily using the discounted cash flows method, in accordance with European valuation standards.



development



Developing exceptional assets

SFL owns a portfolio of exceptional properties located primarily in the Paris Central Business District and in the Western Crescent of the capital. The properties in the portfolio combine a prestigious address and architectural elegance with easy access to public transport, a high quality urban, cultural and shopping environment, the most productivity-enhancing amenities and extraordinary environmental performance.

Unique in terms of their size, product type, location and amenities, these properties meet the most advanced needs of an increasingly demanding clientele made up essentially of leading companies who believe that high quality offices play a role in attracting and retaining the best talent and improving their performance.

Geographic focus

82% > CENTRAL
BUSINESS
DISTRICT

12% > REST
OF PARIS

6% > WESTERN
CRESCENT

Market focus

72% > OFFICES

24% > RETAIL
/HOTEL



87% revenue-generating properties > A solid foundation

Let to tenants, these properties generate cash flows and operating profit. To preserve the revenue stream, we maintain close relations with tenants. At 31 December 2011, the average rent on our office properties was €541 per square meter per year.

13% of properties undergoing redevelopment > A source of value creation

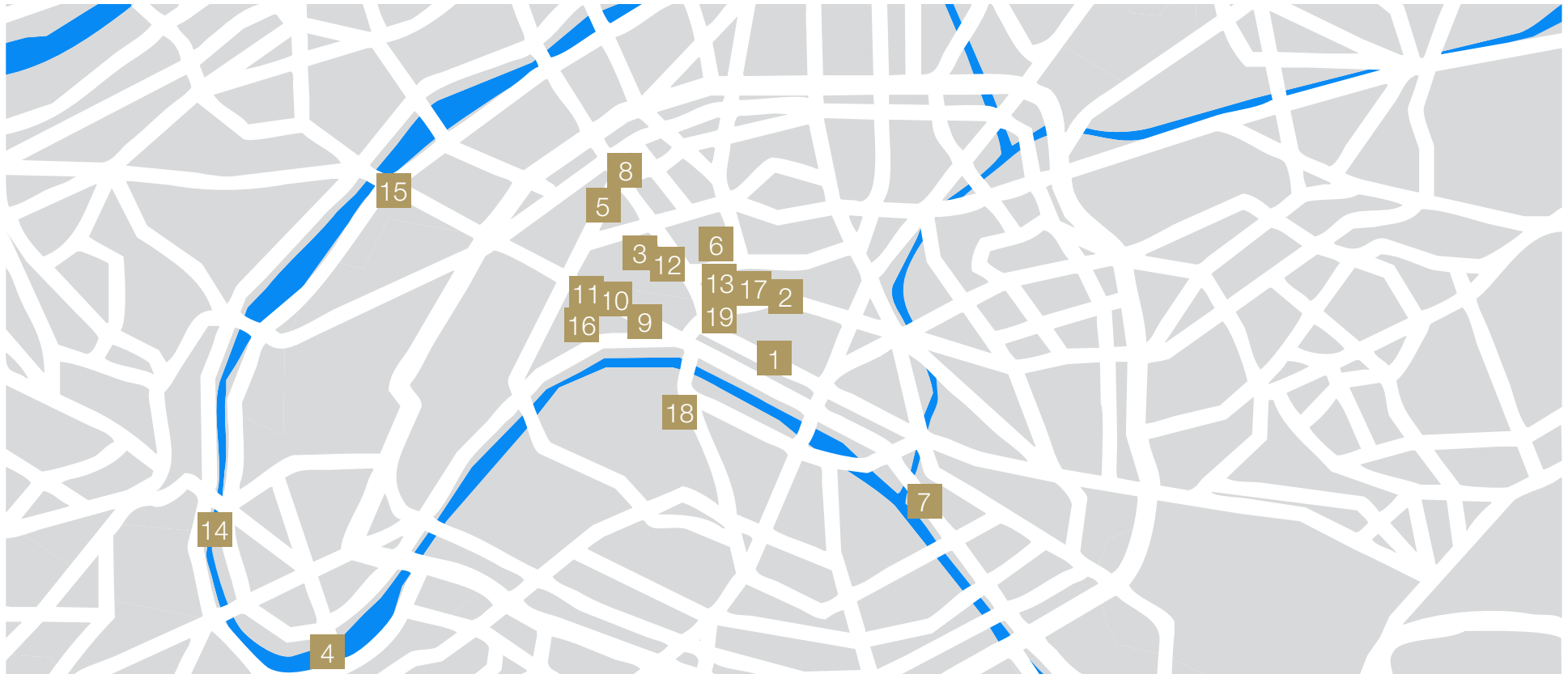
Redeveloping properties ensures that they will generate revenues for a long time into the future. We are renowned for our ability to optimise rental values by offering customers high quality technical amenities and environmental performance in line with the latest standards.

3% > PARKING
GARAGES

1% > RESIDENTIAL

356,900 sq.m. > TOTAL PORTFOLIO

94% > OCCUPANCY
RATE



1 LOUVRE DES ENTREPRISES & LOUVRE DES ANTIQUAIRES 2 ÎLOT RICHELIEU 3 WASHINGTON PLAZA 4 LE VAISSEAU 5 131 WAGRAM 6 HAUSSMANN SAINT-AUGUSTIN
7 RIVES DE SEINE 8 112 WAGRAM 9 GALERIE DES CHAMPS-ÉLYSÉES 10 90 CHAMPS-ÉLYSÉES 11 OZONE 12 CÉZANNE SAINT-HONORÉ 13 ÉDOUARD VII 14 IN/OUT
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An outstanding portfolio



Louvre des Antiquaires & des Entreprises

2, place du Palais-Royal, 75001 Paris

“A prime location”. This building offers large, 5,400-square metre functional units in a prime location near the Louvre museum. Since extensive renovations were completed in late 2010, the property delivers a technical performance in line with the highest international standards along with premium amenities including a staff restaurant and round-the-clock security. The recently arrived tenant French luxury goods maker Louis Vuitton Malletier is a tribute to the site's prestige.

Revenue-generating property

Purchased in: 1995
Total surface area: 47,820 sq.m.
Offices: 28,648 sq.m.
Retail units: 6,680 sq.m.
Staff restaurant: 3,929 sq.m.
Common areas: 8,563 sq.m.
Parking spaces: 235

Main tenants:
Louis Vuitton Malletier, Banque de France,
GIE Cartes bancaires, Proparco and IEDOM



Îlot Richelieu (Cardinal)

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

“A unique three-building complex”. The Îlot Richelieu is a three-building complex within short walking distance of the Palais Brongniart and Palais Garnier in Paris's financial district. When the current occupant, a major French bank, moves out in mid-2012, the complex will be extensively redeveloped to create a unique working environment based on modern, flexible office space and prestigious services and amenities such as a business centre, concierge, a restaurant and fitness rooms.

Revenue-generating property

Purchased in: 2004
Total surface area: 38,207 sq.m.
Offices: 24,392 sq.m.
Staff restaurant & other: 5,095 sq.m.
Common areas: 8,720 sq.m.
Parking spaces: 94

Tenant:
Crédit Lyonnais



Washington Plaza

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

“In the heart of the Central Business District”. Located just off the Champs-Élysées on an 8,000-square metre plot, Washington Plaza is one of the capital's finest office complexes, standing out for the quality of its amenities and the functionality of its units. Inside the complex, the Monceau and Artois buildings can be divided into open floor plates of 1,100 square meters, allowing a variety of possible layouts. Particular attention was paid to the services and amenities, which include a staff restaurant, a cafeteria, reception and concierge services, an onsite property manager, a large parking garage and a building management system (BMS) that meets the current requirements of the Paris rental market.

Revenue-generating property

Purchased in: 2000
66%-owned by SFL and 34% by Prédica
Total surface area: 46,857 sq.m.
Offices: 39,569 sq.m.
Retail units: 460 sq.m.
Restaurant and archives: 4,513 sq.m.
Common areas: 2,313 sq.m.
Parking spaces: 662

Main tenants:
Poweo, DEXIA, Lagardère et CCR



Le Vaisseau

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

“An innovative concept”. Located on Île Saint-Germain in Issy-les-Moulineaux, Le Vaisseau owes its name to its unusual shape and structure that evokes “a vessel moored to the island”. Naval architecture forms the inspiration for the building's facade, with a moveable roof that opens upwards along its entire length. Designed by the architect Jean Nouvel, the nearly 6,000 square-metre structure was completed in 1992. In 2006, Société Foncière Lyonnaise acquired the building with the intention of reintegrating Le Vaisseau fully into its surroundings by reinterpreting the original concept and enhancing the property's value.

Revenue-generating property

Purchased in: 2006
Total surface area: 6,332 sq.m.
Offices: 6,026 sq.m.
Staff restaurants and other infrastructure: 306 sq.m.
Parking spaces: 124

Tenant:
Dalkia France



131 Wagram

131, avenue de Wagram, 75017 Paris

“A media centre”. The 131 Wagram building is located halfway between Parc Monceau and Place de l’Étoile on the corner of rue de Prony. Extensively remodelled in 1992, the property features a terrace, an interior garden, nine floors of offices and five underground levels. The office floors consist of bright 800 square-metre units with modular fixtures, and the building also comprises an auditorium and a staff restaurant. The whole of the building’s interior was fully renovated in 2004-2005.

Revenue-generating property

Purchased in: 1999
Total surface area: 9,185 sq.m.
Offices: 7,100 sq.m.
Staff restaurant, archives and other common areas: 2,085 sq.m.
Parking spaces: 124

Tenant:
TV5 Monde



Haussmann Saint-Augustin

104-110, boulevard Haussmann, 75008 Paris

“A very high quality office complex”. Through a two-year redevelopment project completed in 2007, SFL transformed four separate buildings on boulevard Haussmann into a luxury office complex offering optimum working conditions. With a total surface area of around 13,000 square metres on seven floors, the complex’s facade is 82 metres of cut stone and is designed around a vast central entrance hall flooded with natural light from a glass roof. The use of natural, noble materials creates warmth and architectural beauty, while the elegant interior decoration scheme blends classic and contemporary design.

Revenue-generating property

Purchased in: 2002 and 2004
(50%-owned in partnership with Prédica)
Total surface area: 13,434 sq.m.
Offices: 11,798 sq.m.
Retail units: 678 sq.m.
Staff restaurant: 960 sq.m.
Parking spaces: 104

Tenant:
La Mondiale Groupe



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 commercial property market. Built in 1974, it features 16 floors rising above a vast lobby that overlooks the river. The building was extensively renovated in 2001 to create modern, well-lit and highly modular 1,200-square metre office units. The extension of the lease with Natixis in 2009 has secured future revenues from the investment.

Revenue-generating property

Purchased in: 2004
Total surface area: 22,671 sq.m.
Offices: 20,270 sq.m.
Staff restaurant: 2,184 sq.m.
Common areas: 217 sq.m.
Parking spaces: 366

Tenant:
Natixis



112 Wagram

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

“Exceptional working conditions”. Located between Place de l’Étoile and Porte de Champerret, the building at 112 avenue de Wagram boasts elegant industrial architecture, contemporary interior design, noble materials and impressive volumes, with ceiling heights of nearly four metres on the first and second floors, three vast terraces, a courtyard and an interior garden planted with trees. Behind a mixed façade of bricks and glass lies a completely new office building that offers bright, modular, high-performance units of more than 1,100 square meters.

Revenue-generating property

Purchased off-plan in: 2008
Total surface area: 5,437 sq.m.
Offices: 4,470 sq.m.
Retail units: 892 sq.m.
Common areas: 75 sq.m.
Parking spaces: 29

Main tenants:
Zurich France and Facebook



Galerie des Champs-Élysées

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

“A symbol for renovated space in Paris”. The Galerie des Champs-Élysées shopping arcade enjoys one of the most prestigious locations in Paris, on the sunny side of the Champs-Élysées in the most well-patronized section of the avenue. Redesigned by Jean Nouvel, the fully renovated property has been given a sleek new look based on a stripped back Haussmann style brought right up to date with modern black metal light fittings and escalators. It has been chosen by H&M for their 2,800-square metre international flagship store.

Building undergoing redevelopment

Purchased in: 2002
(50%-owned in partnership with Prédica)
Total surface area: 5,661 sq.m.
Retail units: 5,661 sq.m.
Parking spaces: 243

Main tenants:
H&M, Promod, Etam, L’Occitane, Paul, Minelli and Mc Donald’s



90 Champs-Élysées

90, avenue des Champs-Élysées, 75008 Paris

“Strong value creation potential”. Located above the Galerie des Champs-Élysées shopping centre, this contemporary building features a cut stone façade over its original skin of the type used for the most stunning Haussmann-style buildings recently transformed by Jean Nouvel. Each floor offers 1,200 square metres of bright, spacious offices. Soon to be redeveloped, the finished building will feature an exterior night-time lighting system designed by Yann Kersalé.

Building undergoing redevelopment

Purchased in 2002 (6,000 sq. m.) and 2009 (2,500 sq. m.)
50%-owned in partnership with Prédica
Total surface area: 8,936 sq.m.
Offices: 7,956 sq.m.
Retail units: 491 sq.m.

Main tenants:
Ateac and National Bank of Kuwait



Ozone

92, avenue des Champs-Élysées, 75008 Paris

“An emblematic building”. Home to Thomas Jefferson during his 1785-1789 stay in Paris, this is one of the best-situated buildings on the Champs Élysées, on the corner of rue de Berri. It comprises retail units on the ground floor and offices on the upper floors. Extensive redevelopment work began in May 2010 to restore the building to its former glory and create HQE-certified, prime office space. The building will be delivered in the second half of 2012.

Building undergoing redevelopment

Total surface area: 7,641 sq.m
Offices: 4,209 sq.m
Retail units: 3,396 sq.m
Common areas and other: 36 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 a stone’s throw from Place de l’Etoile”. This exceptional office, retail and residential complex is comprised of two separate buildings located across from one another 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 longer 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.

Revenue-generating property

Purchased in 2001 (50%) and 2007 (50%)
Total surface area: 29,252 sq.m.
Offices: 24,411 sq.m.
Residential units: 231 sq.m.
Retail units: 1,849 sq.m.
Staff restaurant: 1,257 sq.m.
Common areas: 1,504 sq.m.
Parking spaces: 125

Main tenants:
Freshfields and Citibank



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 Opéra Garnier and La Madeleine, just off the Boulevard des Capucines. Its location in the heart of one of Paris’s liveliest neighbourhoods and its impressive architectural style – the result of extensive remodelling – make this property a fabulous showcase. The complex features several independent buildings with a private reception area, staff restaurant and upscale restaurant and lounge bar.

Revenue-generating property

Purchased in: 1999
Total surface area: 54,809 sq.m.
Offices: 28,112 sq.m.
Retail (including a residential hotel, a cinema and theatres): 19,169 sq.m.
Residential units: 4,509 sq.m.
Staff restaurant: 3,019 sq.m.
Parking spaces: 510

Main tenants:
Bird&Bird, Zara, Ashurst and the Olympia theatre



In/Out

46, quai Le Gallo, 92100 Boulogne-Billancourt

“Paris’s first urban business campus”. Situated in a prized location at the Paris city limits, between the Sèvres and Saint-Cloud bridges, this highly visible building stands opposite Saint-Cloud Park on a road linking several strategic Ile-de-France business districts. SFL’s vision is to convert this 35,000-square-metre symbol of France’s industrial and cultural heritage into an exciting new, HQE-certified office complex that continues to resonate with the location’s storied past. The main building will house offices and be enhanced by a new, ultra-contemporary extension that will welcome a services centre.

Building undergoing redevelopment

Total surface area: 35,003 sq.m.
Offices: 31,078 sq.m.
Staff restaurants and other infrastructure: 3,914 sq.m.
Common areas and other: 11 sq.m.
Parking spaces: 586



Avenue Charles-de-Gaulle

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

“An outstanding site”. Located on the thoroughfare linking the Étoile to La Défense, this building has a courtyard-facing facade looking out over landscaped gardens. The building comprises office space and a large retail space on the ground floor.

Revenue-generating property

Purchased in: 1997
Total surface area: 7,336 sq.m.
Retail units: 492 sq.m.
Offices: 5,621 sq.m.
Staff restaurants and other infrastructure: 381 sq.m.
Common areas and other: 842 sq.m.
Parking spaces: 145

Tenant:
Hudson Global Ressources



Avenue d'Iéna

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

“An unparalleled view of the Arc de Triomphe”. This six-storey property in a prime location in the immediate proximity of the Place de l'Etoile boasts an interior courtyard and terraces offering exceptional views of the Arc de Triomphe. The site's uniqueness is augmented by three street-facing façades, affording it a rare degree of visibility. With its highly functional, flexible units of around 1,200 square metres, the Iéna building has it all. The lease with Générale de Santé on 3,567 square metres of office space was renewed in 2009.

Revenue-generating property

Purchased in: 2001 (25%)
and 2007 (100%)
Total surface area: 8,834 sq.m.
Offices: 7,285 sq.m.
Staff restaurant: 1,189 sq.m.
Common areas: 360 sq.m.
Parkings spaces: 263

Tenant:
Générale de Santé



Rue de Hanovre

6, rue de Hanovre, 75002 Paris

“In the centre of the financial district”. This very fine 1908 building by the architect Adolphe Boge is registered in the Supplementary List of Historical Monuments. The vast lobby leads to a majestic horseshoe staircase, while the Art Deco facade features rectangular bays on the third floor and bow windows above. Alexandre Bigot did the sandstone veneer over concrete in the facade, in the entrance hall and the elevator shaft. The building is located in the financial district, near to Palais Garnier and Palais Brongniart, and is being painstakingly renovated to offer bright, well laid-out office space.

Building undergoing redevelopment

Total surface area: 4,761 sq.m.
Offices: 3,003 sq.m.
Residential units: 61 sq.m.
Staff restaurants and other infrastructure: 1,697 sq.m.



103 Grenelle

103, rue de Grenelle, 75007 Paris

“A new business centre on the Left Bank”. Located in the Left Bank district that is home to many government offices, 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. Delivered in mid-2009 following its extensive two-year redevelopment, the building represents nearly 15,000 square metres of prime rental office space with HQE® certification. It offers a choice between more traditional partitioned areas and larger units of more than 1,500 square metres in the tower, suitable for an open plan or mixed layout. The complex also offers high-level amenities.

Revenue-generating property

Purchased in: 2006
Total surface area: 17,307 sq.m.
Offices: 15,177 sq.m.
Retail units: 258 sq.m.
Archives, staff restaurant, stock rooms: 1,872 sq.m.
Parking spaces: 100

Main tenants:
Harry's France, ESMA, Valtech and Regus



Mandarin Oriental Paris

249-251, rue Saint-Honoré, 75001 Paris

“The first HQE-certified luxury hotel”. Located a short distance from Place Vendôme and rue Royale, this complex underwent elaborate remodelling before being delivered on 22 September 2011. To carry out the makeover, SFL turned to architect Jean-Michel Wilmotte and well-known interior designers Sybille de Margerie and Patrick Jouin. The ground floor features a Dsquared² boutique and Ports 1961's flagship store, which opened in June 2011. The building won the SIIC industry's “Ville et Avenir” prize at the 2011 SIMI commercial real estate fair.

Revenue-generating property

Purchased in: 2006
Total surface area: 17,371 sq.m.
Hotel: 14,643 sq.m.
Retail units: 1,332 sq.m.
Other: 1,396 sq.m.

Main tenants:
Mandarin Oriental Hotel Group,
Dsquared² and Ports 1961

A new logo to express the new SFL

To support our cultural metamorphosis, we have aligned our corporate identity with our strategy to project greater clarity and communicate more efficiently.

The new logo capitalises on the solid values that shape our business practices – transparency, excellence and determination.

The tagline, “we care for your talents” reflects the central position our tenants occupy in our understanding of the profession. Because your employees are a prime concern, their workspace is an integral part of your value chain.



Corporate



Portfolio



Project

Consulting, design, writing and execution

TERRE DE SIENNE Paris | www.terredesienne.com

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