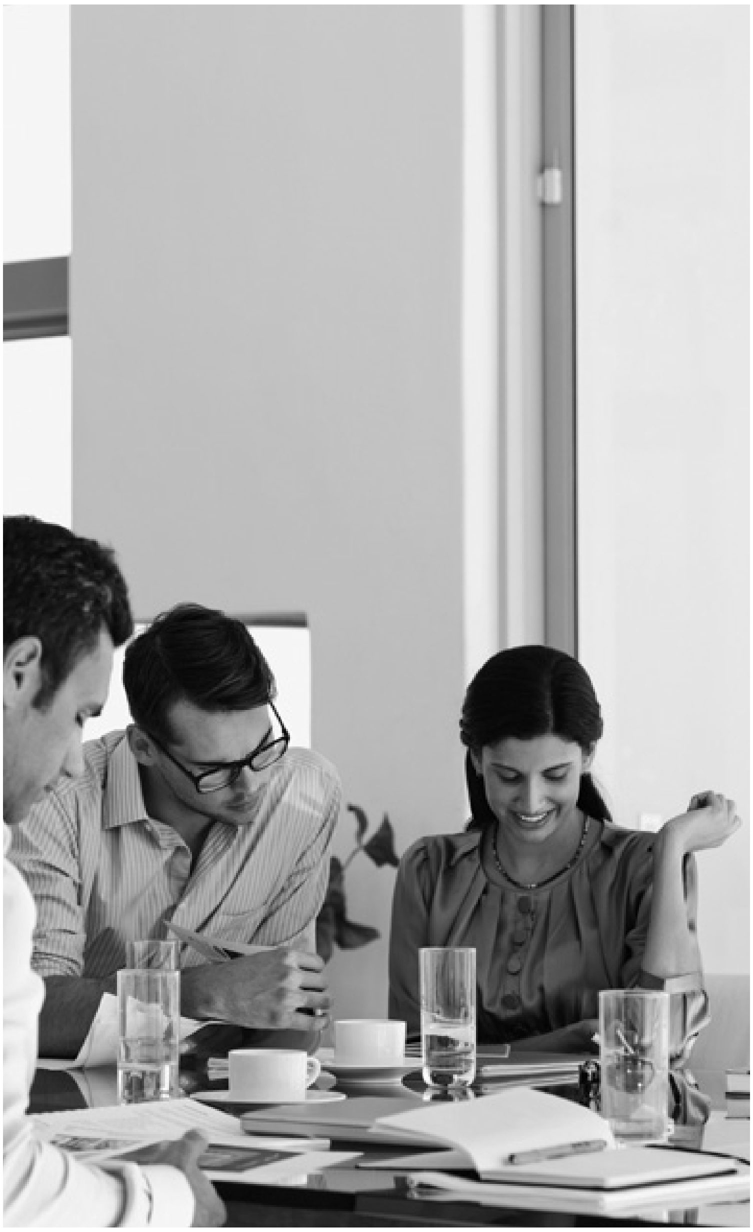
2013 FINANCIAL AND LEGAL REPORT



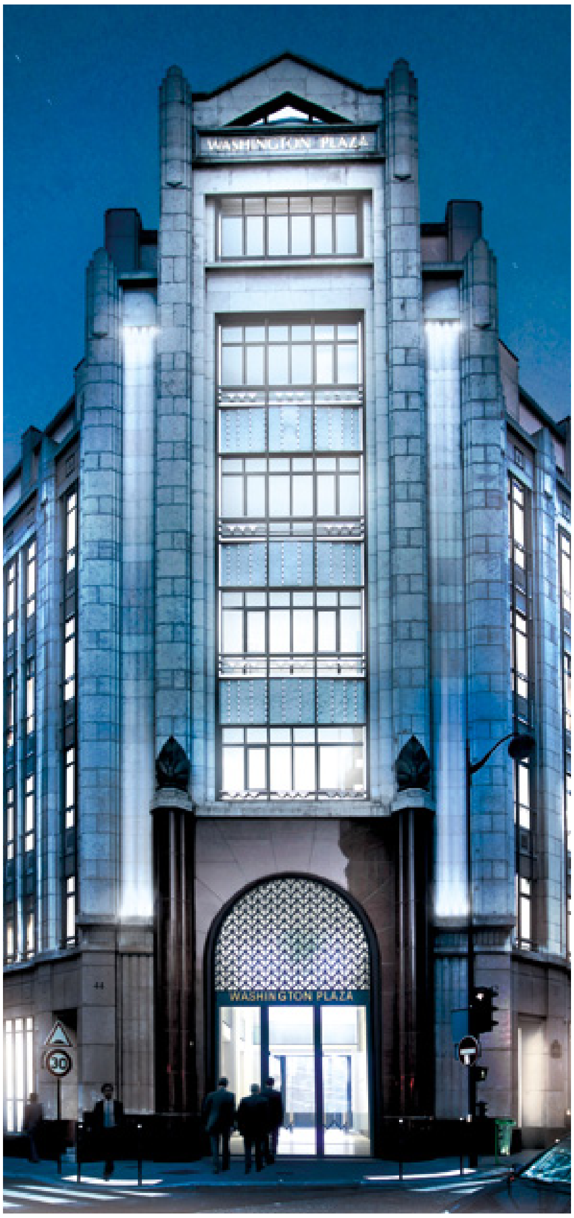
SOCIETE FONCIERE LYONNAISE

we care for your talents

AUTORITÉ
DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the Autorité des Marchés Financiers (AMF) on 10 April 2014, in accordance with Article 212-13 of the AMF's Règlement Général. It may be used for a financial transaction provided that it is accompanied by an Information Memorandum approved by the AMF. This document was prepared by the issuer and is the responsibility of the persons who signed it.

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


WASHINGTON PLAZA
WASHINGTON PLAZA
30

SFL 2013 Management Report

Annual General Meeting of 24 April 2014
Management Report for the Year Ended 31 December 2013

To the shareholders,

We have called the Annual General Meeting in accordance with the Company's Articles of Association and the French Commercial Code to report to shareholders on Société Foncière Lyonnaise's operations and results for the year ended 31 December 2013 as well as its future outlook, and to submit for shareholder approval the financial statements of the Company and the Group and the extraordinary resolutions presented in this report.
The notice of meeting and all proxy documents required by law were sent or made available to shareholders within the applicable periods.

1. Business Review and Significant Events of the Year

1.1. Portfolio value

The appraisal value of SFL's consolidated portfolio was an estimated €3,874 million excluding transfer costs (€4,071 million including transfer costs) at 31 December 2013, up 7.9% year-on-year. The properties are situated in Paris and the inner suburbs, with 82% of the portfolio (€3,178 million excluding transfer costs) located in the Paris Central Business District.

Substantially all of the portfolio consists of prime office properties (79% of the total), retail units and a hotel (20%). Residential units now represent just 1% of the total and are located in a mixed-use building primarily made over to retail space.

The average value per square metre excluding transfer costs was €10,490 in 2010 and the spot yield[1] was 5.1%.

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

Marketing programme

Despite a highly selective rental market that saw a 25% drop in completed lettings, SFL signed leases on a total of just under 40,000 square metres in 2013, including:

- 7,000 sq.m. in the Edouard VI complex, let to Klépierre.
- 2,500 sq.m. in the Louvre/Saint Honoré complex, leased by Hugo Boss for its Paris headquarters, and 1,600 sq.m. in the same building let to Ariba.
- The entire 6 Hanovre building, let to Pretty Simple following its renovation.
- The 22,700-sq.m. Rives de Seine building, on which the lease with Natixis was renewed.

The new leases were signed at an average nominal rent of €613 per square metre, corresponding to an effective rent of €523.

The physical occupancy rate excluding properties undergoing renovation fell sharply to 82.0% at 31 December 2013 from 95.3% at the previous year-end. Most of the vacant units were in the redeveloped In/Out complex in Boulogne that was delivered in the latter part of the year.
Excluding In/Out, the occupancy rate was 93.5% at 31 December 2013, rising to 96.6% if the leases signed prior to the year-end but not commencing until 2014 are included.

Development operations

Properties undergoing development in 2013 represented some 90,000 square metres, or roughly 25% of the total portfolio. A total of €122 million was invested in development operations during the year to create future value. Most of this amount was spent on three projects: the In/Out business campus in Boulogne that was delivered in October; structural work on the #Cloud complex on rue de Richelieu in Paris that is scheduled for delivery in the second half of 2015; and the complete remodelling of the Washington Plaza lobby area.

Following delivery of the In/Out project, the development pipeline at 31 December 2013 represented approximately 50,000 square metres, of which 33,000 square metres for the #Cloud project. These recent and current development operations will provide additional rental revenue of some €50 million a year.

1.2. Property purchases and sales during the year

No properties were purchased during 2013, apart from a 60-square metre unit acquired under a co-ownership arrangement in the 90 Champs Elysées building owned by Parchamps, an indirect subsidiary. However, SFL has the funds in place to take up investment opportunities when they arise in the market.

2. Results

2.1. Consolidated results

There were no changes in accounting method during the year that would have affected the Group's equity or results of operations.

Profit for the period

In 2013, profit attributable to owners of the parent contracted sharply to €147 million, from €283 million the previous year, reflecting significantly lower positive fair value adjustments to investment properties.
Property rentals amounted to €149.3 million for the year versus €150.2 million in 2012.

On a comparable portfolio basis, rental revenues grew by €4.6 million or 3.9%, reflecting leases signed during 2012 and 2013, along with the impact of applying rent indexation clauses.

Rental revenues from properties undergoing development contracted by €8.5 million, mainly due to the commencement of redevelopment work on the #Cloud complex ("îlot Richelieu"), the impact of which was partly offset by the late 2012 delivery of the Ozone building.

Changes in consolidation scope added €3 million in rental revenues, with the €13 million positive impact of applying the full consolidation method to Parholding (a company jointly owned with Prédica, a subsidiary of Crédit Agricole Assurances) as from 31 December 2012 more than offsetting the €10 million in lost revenue from the Mandarin Oriental building that was sold in February 2013.

Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €119.8 million in 2013, versus €122.5 million in 2012.

The portfolio's appraisal value rose by 7.9% over the year on a comparable portfolio basis. The increase led to the recognition of positive fair value adjustments to investment properties of €145.3 million in 2013, versus a positive €236.3 million in 2012.

Associates – corresponding to 29.6%-owned SIIC de Paris – contributed €21.0 million to 2013 profit, €11.5 million of which was included in EPRA earnings. The comparable figures for the year-earlier period were €21.0 million and €13.2 million.

Finance costs and other financial income and expenses represented a net expense of €70.6 million in 2013 compared with €72.2 million the year before. Fair value adjustments and the reclassification into profit of gains and losses on derivative instruments generated a net expense of €18.2 million versus €16.0 million in 2012, while recurring finance costs contracted by €2.9 million, primarily as a result of lower average borrowing costs.

After taking into account these key items, attributable net profit came in at €147.3 million, compared with €283.2 million in 2012. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, EPRA earnings amounted to €58.7 million in 2013, versus €69.5 million the year before.

NAV and financing

In July 2013, a €300 million line of credit expiring in October 2014 was replaced by a new €400 million five-year syndicated revolving line of credit with a narrower spread. This new facility has enhanced the Group's liquidity position and extended the average life of its debt.

Net debt at 31 December 2013 amounted to €1,457 million, compared with €1,547 million at 31 December 2012, representing a loan-to-value ratio of 33.3% including the minority interest held in SIIC de Paris. At that date, SFL also had €700 million in back-up lines of credit. The average cost of debt after hedging was 3.3% at 31 December 2013 (versus 3.6% at the previous year-end) and the average maturity was 3.4 years.

Net asset value

The portfolio's appraisal value at 31 December 2013 was €3,874 million excluding transfer costs. This was only slightly less than the year earlier figure of €3,882 million, as the decline due to the sale of the Mandarin Oriental building was offset by increases in the value of the other properties in the portfolio. On a comparable portfolio basis, the appraisal value was up by 7.9%, reflecting slightly narrower market yields for prime assets.

The portfolio comprises 18 prime properties consisting mainly of offices, located in Paris's Central Business District (92%) and in the most attractive parts of the Western Crescent (8%).

The average rental yield stood at 5.1% in 2013, compared with 5.3% the previous year.

At 31 December 2013, EPRA NNNAV stood at €2,172 million or €46.7 per share, up 3.1% from €45.3 per share at the previous year-end.

2.2. Parent company results

Parent company results and financial position

Parent company results for the year ended 31 December 2013 can be analysed as follows:

The Company reported 2013 property rentals of €79.6 million, down €15 million or 16% on the previous year's €94.6 million. The decline was mainly due to the February 2013 sale of the building at 251 rue Saint-Honoré housing the Mandarin Oriental hotel, and it also reflected the late 2012 sale to SAS Maud of the hotel business conducted in the Edouard VII complex. Total operating income amounted to €105.3 million versus €116.9 million in 2012, a decline of €11.6 million or 10% that was in line with the fall in property rentals.

With operating expenses rising by 3.5% over the year, the Company's operating profit amounted to €1.1 million compared with €16.3 million in 2012.

Net financial expense came to €18.2 million in 2013 versus €56.2 million the year before. The €38 million improvement was mainly attributable to the decrease in cash payments made on unwound hedging positions, at €12.9 million in 2013 compared with €54.9 million in 2012.

After taking into account the above items, the Company ended the year with a loss before tax and other income and expense of €17.1 million, representing a €22.8 million improvement on 2012.

Other income and expense represented net income of €76.1 million, corresponding mainly to the capital gain realised on disposal of the Mandarin Oriental hotel building at 251 rue Saint-Honoré. Net other income for 2012 was considerably less, because no properties were disposed of during that year.

After deducting income tax expense, which rose sharply due to the €11.8 million in exit tax payable upon exercise of the purchase option under the finance lease on the Rives de Seine property, the Company reported a net profit for the year of €44.8 million as opposed to a €42.0 million net loss in 2012.

At 31 December 2013, the Company had total assets of €2,517 million, down 1.3% from €2,549 million at the previous year-end.

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

INFORMATION ON TRADE PAYABLES

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

The table below analyses trade payables by type of supplier and payment schedule (in €)

At 31 December 2013	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Total
Goods and services suppliers	21,559	98,885	128,408	5,525,934	5,774,786
Fixed asset suppliers	137,808	3,222,955	755,136	22,019,838	26,135,737
Retention monies	–	–	–	354,825	354,825
Total	159,367	3,321,840	883,544	27,900,597	32,265,348

At 31 December 2012	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Total
Goods and services suppliers	21,141	5,387	361,235	132,863	520,627
Fixed asset suppliers	56,041	566,698	9,616,062	729,338	10,968,140
Retention monies	–	–	–	388,282	388,282
Total	77,183	572,084	9,977,298	1,250,483	11,877,048

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

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

Appropriation of net profit

The Company reported net profit for the year, after tax and provision charges, of €44,843,905.81.

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

Net profit for the year ended 31 December 2013	€44,843,905.81
Retained earnings brought forward from the prior year	€620,424.00
Profit available for distribution	€45,464,329.81

We recommend:

1. Paying a total dividend of €97,710,845.40 representing a dividend per share of €2.10. After deducting the interim dividend of €0.70 paid on 23 October 2013, the final dividend will amount to €1.40 per share.
2. Deducting €52,246,515.59 from the share premium account for the payment of the above dividend, reducing this account from €924,182,054.02 to €871,935,538.43.

If approved, the dividend will be paid as from 2 May 2014. Dividends on SFL shares held by the Company on that date – which are stripped of dividend rights – will be credited to retained earnings.

Of the total dividend of €2.10 per share, €0.97 will be classified as securities income governed by Article 158-3-1 of the French Tax Code (based on 46,528,974 shares) and €1.13 will be classified as a return of capital governed by Article 112-1 of the Code. For the final dividend of €1.4, the amount to be declared as securities income is €0.27 per share.

As the portion of the dividend classified as securities income will be paid out of profits that are exempt from corporate income tax under the SIIC regime, it will not qualify for the 40% tax allowance provided for in Article 158-3, paragraph 1, of the French Tax Code.

In accordance with Article 119 *bis* of the French Tax Code, the portion of dividends that is classified as securities income will be subject to withholding tax at the rate of 21% (dividends paid to residents of a European Union member state, Iceland, Norway or Liechtenstein) or 15% (dividends paid to French UCITS – OPCVM, OPCI, SICAF property funds – or comparable foreign pooled investment vehicles) or 30% (dividends paid to residents of other countries). However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries will be required to provide a certificate of residence to benefit from the treaty rate. The withholding tax rate is 75% when dividends are paid outside France in "uncooperative" countries or jurisdictions.
If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax, SFL must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of the "SIIC" profits will be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime.

Non-deductible expenses

The SFL parent company financial statements do not include any expenses that cannot be deducted for tax purposes (disclosure made in accordance with Articles 223 *quater* and 223 *quinquies* of the French Tax Code). The 2013 accounting documents provided for in Article L.2323-8 of the French Labour Code have duly been given to the Works Council.

2.3. Review of the Group's main subsidiaries

The consolidated financial statements for the year ended 31 December 2013 were prepared using the fair value model. The scope of consolidation was as follows:

Consolidated companies	Registration no.	% Percentage	
		Interest	Voting rights
Parent company:			
SA Société Foncière Lyonnaise	552 040 982	–	–
Fully-consolidated companies:			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
Associated companies accounted for by the equity method:			
SIIC de Paris	303 323 778	29.63	29.63

At 31 December 2013, Société Foncière Lyonnaise was 53.14%-owned by the Spanish company Inmobiliaria Colonial SA.

SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2013 (IN €)

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Guarantees provided by SFL	2013 revenue	2013 profit/ (loss)	Dividends paid to SFL in 2013	Fair value adjust-ments to the investment during the year
				Gross	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	112,646,680	100.00%	291,846,722	291,846,722	–	–	14,933,078	9,905,882	–	–
SCI 103 GRENELLE	150	10,826,014	100.00%	1,169,740	1,169,740	169,792,136	–	7,968,001	7,927,816	–	–
SCI WASHINGTON	94,872,000	11,288,897	66.00%	79,788,878	79,788,878	112,568,067	–	18,723,008	7,592,009	–	–
2 - Associates (10-50%-owned)											
SAS PARHOLDING	15,000,000	4,661,692	50.00%	18,400,300	18,400,300	14,000,000	–	–	2 069 936	–	–
SA SIIC DE PARIS	68,955,181	590,934,777	29.63%	235,981,062	235,981,062	–	–	101,416,314	24,607,796	9,066,372	–
B- Aggregate information about investments not listed in A above											
1 - Subsidiaries (at least 50%-owned)				370,293	370,293	–	–	–	678,669	335,493	–
2 - Associates (less than 50%-owned)				2,286,735	–	–	–	–	–	–	–

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

3. Corporate Governance

3.1. Members of the Board of Directors and the Management Committee at 31 December 2013

As of 31 December 2013, the Board of Directors had 14 members, including three independent directors: Jean Arvis, Jacques Calvet and Anthony Wyand.

Members of the Board of Directors as of 31 December 2013

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

Changes in the membership of the Board of Directors during 2013 are presented in the Chairman's Report on corporate governance and internal control and risk management procedures (see Appendix 7.5).

The procedures of the Board of Directors and the Committees of the Board are described in detail in the Chairman's Report on corporate governance and internal control and risk management procedures (see Appendix 7.5).

Members of the Management Committee as of 31 December 2013

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

Bertrand Julien-Laferrière, 55, joined SFL as Chief Executive Officer in 2010. He holds an engineering degree from Ecole Centrale de Paris, a Master of Science from the University of California, Berkeley, and an MBA from INSEAD. Before joining SFL he was Chairman of Unibail-Rodamco Développement from November 2007 and Chief Development Officer and a member of the Management Board at Unibail-Rodamco from 2008. Prior to that, he served as Chairman of CGW Gestion d'Actifs and Chief Executive Officer of Bail Investissement Foncière. He also held senior positions at Club Méditerranée, Accor Hotels and Ricardo Bofill Architects.

Nicolas Reynaud, 52, is SFL's Managing Director and Chief Financial Officer. He began his career at Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer. He then joined SFL as a member of the Management Committee, Chief Financial Officer and Deputy Managing Director.

François Sebillotte, 58, has been Chief Resources Officer since 2001 and Secretary to the Board since 2011. He began his career at law firm KPMG Fidal in 1982, before becoming Director of Legal Affairs for business guide publisher Editions Liaisons, where he worked from 1987 until 1992, and later serving as the head of Legal Affairs and a member of the Management Committee for investment fund Unigrains. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

Dimitri Boulte, 36, joined SFL in 2011 as Deputy Managing Director and Chief Operating Officer with overall responsibility for operations (investments, asset management, technical matters, business development and marketing). He is a graduate of the HEC Paris business school and holds a CEMS Master of International Management degree from Bocconi University, Milan. He worked at Unibail-Rodamco for nine years in a variety of management positions, serving successively as Office Division Investment Manager (2004-2006) Office Division Development Manager (2006-2007) and Development Director for Large Urban Projects (2008-2011). He also played a role in creating and developing the Real Estate Chair at HEC where he was a lecturer.

Fabienne Boileau, 46, has served as Budget Control and Accounting Director since September 2011. A graduate of ESC Reims business school and a qualified accountant, she joined SFL in 2005 after spending three years with KPMG Audit and holding various positions in the Budget Control department at Crédit Agricole SA.

Franck Dattée, 46, is SFL's Technical Director. After graduating from France's ESTP engineering school, he joined the Vinci group in 1992 where he held a variety of management positions. In 2002 he moved to Promogim to take up a position as Technical Director. He left SFL on 31 January 2014.

François Derrian, 44, is the Group's Human Resources Director. A graduate of Institut de Gestion Sociale with an "AES" degree (combining law, economics, management and social sciences), he joined SFL in 2002 after holding various human resources positions with Auchan and Pinault Printemps La Redoute (Pinault Distribution, FNAC).

Bénilde Escouboué, 40, is Investment and Asset Management Director. A graduate of ESC Bordeaux business school and with an MBA from INSEAD, he has 12 years' experience of the commercial real estate sector, acquired with Jones Lang LaSalle (1998-2000), The Blackstone Group (2000-2009) and Captiva/Natixis Capital Partners (2010-2011). He will be leaving SFL on 31 May 2014.

Franck Morin, 41, is Property Management Director. A graduate of ICH, he began his career with SIMCO in 1996 before moving to Generali Immobilier in 2000. He has been with SFL since 2003.

Marc Stravopodis, 52, is SFL's Marketing Director. Before joining the Group in 2005, he worked for 15 years in various management positions at Jones Lang LaSalle, most notably as head of the Western Ile de France agency and Associate Director Key Clients. He holds a degree in economics. He will be leaving SFL on 31 May 2014.

3.2. Directorships and other positions held by the Chief Executive Officer and the Managing Director as of 31 December 2013

The directorships and other positions held by the Chief Executive Officer and the Managing Director are presented below.
The directorships and other positions held by the Chairman of the Board of Directors and the other Board members are listed in the Chairman's Report on corporate governance and internal control and risk management procedures (see Appendix 7.5).

Bertrand Julien-Laferrière

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

Directorships and other positions held in 2013:

In France – SFL Group:

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

In France – Outside the SFL Group:

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

Other directorships and positions held in the past five years:

– **Chief Operating Officer**
  • UNIBAIL MANAGEMENT (SASU)
– **Member of the Management Board**
  • UNIBAIL-RODAMCO SE
– **Chairman**
  • UNIBAIL-RODAMCO DEVELOPPEMENT (SASU)

Nicolas Reynaud

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

Directorships and other positions held in 2013:

In France – SFL Group:

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

Other directorships and positions held in the past five years:

None

Appointment of a new director, re-election of directors

At the Annual Meeting, shareholders will be asked to ratify the appointment as a director of Angels Arderiu Ibars, decided by the Board on 4 March to fill the seat left vacant by the resignation of Carlos Losada Marrodan. She has been appointed for the remainder of Mr. Losada Marrodan's term, expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2014.

Ms. Arderiu Ibars, 47 and of Spanish nationality, holds a degree in business science from the University of Barcelona. She is a graduate of the ESADE business school in Spain, where she studied financial audit and earned a Master's degree in Finance.
She has been Chief Financial Officer and a member of the Executive Committee of Colonial since January 2009.
After spending the first nine years of her career with an audit firm, she joined Inmobiliaria Colonial in March 1999 as Chief Accountant, before becoming Chief Financial Officer in January 2009.

The terms as director of Anne-Marie de Chalambert, Carmina Gañet Cirera, Bertrand Letamendia, Luis Maluquer, Jean Arvis and Jacques Calvet will expire at the Annual Meeting.

Shareholders are invited to re-elect Anne-Marie de Chalambert for a one-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2014, and Carmina Gañet Cirera for a three-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2016.

We also propose that Jacques Calvet be re-elected for a one-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2014, and Luis Maluquer for a three-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2016.

Anne-Marie de Chalambert, Carmina Gañet Cirera, Jacques Calvet and Luis Maluquer have all confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

If she is re-elected, Anne-Marie de Chalambert will be invited by the Board to join the Committee of Independent Directors, as recommended by the Remunerations and Selection Committee.

The Remunerations and Selection Committee determined that she fulfilled the necessary criteria at its meeting on 4 March 2014

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

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

Ms. de Chalambert was appointed to the Board of Directors for the first time on 11 June 2010. Her appointment was ratified at the Annual General Meeting of 9 May 2011 and she was re-elected for a three-year term at the same meeting.

She was originally put forward as a candidate by Colonial, which wanted to add to the body of experience in the property sector represented on the Board.

The Remunerations and Selection Committee noted that there have never been any ties between Colonial and SFL on the one hand and Anne-Marie de Chalambert on the other, except of course by virtue of her membership of the Board. Up to now, Ms. de Chalambert has been presented in the various published documents as a "director representing Colonial" for the simple reason that Colonial proposed her as a candidate for election to the Board.

The Committee obtained assurance that Ms. de Chalambert did not have any common interests with either Colonial or SFL. It noted that she did not have any contact with the management of either Colonial or SFL, except in connection with meetings of the SFL Board in her capacity as a director.

After reviewing the factual evidence, the Committee concluded that Ms. de Chalambert qualified as an independent director based on all the related criteria.

Bertrand Letamendia and Jean Arvis are stepping down from the Board.

Shareholders are also invited to elect Carlos Krohmer as a director for a three-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2016.
Mr. Krohmer has confirmed that he wishes to stand for election and that he is not disqualified from serving as a director.

Carlos Krohmer, 42 and of German nationality, is a graduate of the Mannheim Business School (Germany). He studied at the University of Barcelona (Spain) and the University of Swansea (Wales) under the Multiregional International Business Programme (MIBP) and also attended the IESE graduate school and Harvard Business School.
He has been a member of the Colonial Management Committee since January 2009, as Director of Corporate Development, Budget Control and Investor Relations.
Mr. Krohmer began his career with the Unilever Group in Hamburg, where he held a variety of management positions in the Budget Control and Finance departments. In 1999, he was named Head of Management Control at Unilever Bestfoods in Germany. In 2001, he joined the Corporate Development department of CaixaHolding (now named Criteria CaixaHolding), a subsidiary of Grupo La Caixa, serving as Head of Real Estate Investments before becoming Senior Project Manager for Criteria's IPO. During the first half of 2008, he acted as advisor to Holret, S.A., CaixaHolding's French real estate subsidiary. He moved to Colonial in January 2009.
Mr. Krohmer also lectures in corporate finance at the LaSalle Business Engineering School and is a member of the EPRA (European Public Real Estate Association) Investor Relations Committee.

3.3. Remuneration

Remuneration paid to the Chairman, the Chief Executive Officer and the Managing Director

The following information on remuneration paid to the Chairman, the Chief Executive Officer and the Managing Director has been prepared in accordance with the AFEP-MEDEF Corporate Governance Code and the Autorité des Marchés Financier's position paper/recommendation no. 2009-16 dated 10 December 2009 as amended on 17 December 2013 ("Guidelines for the preparation of registration documents").

The amounts in the tables below are presented in euros.

Detailed information about the remuneration packages of the Chairman, the Chief Executive Officer and the Managing Director is provided in Note 6.38 to the consolidated financial statements.

These tables concern the year ended 31 December 2013.

Since 1 January 2009, directors' fees are as follows:

- Director or non-voting director:	€18,000 per year
- Member of a Committee of the Board:	€24,000 per year
- Chairman of the Board and/or of a Committee of the Board:	€36,000 per year.

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

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

Juan José BRUGERA CLAVERO Chairman of the Board	2012	2013
Remuneration due for the year (see Table 2 for details)	186,000	186,000
Fair value of stock options granted during the year (see Table 4 for details)	0	0
Fair value of performance shares awarded during the year (1) (see Table 6 for details)	51,493	56,053
Total	237,493	242,053

(1) A total of 7,500 performance shares have been awarded to Juan José Brugera Clavero, of which 3,750 on 16 February 2012 and 3,750 on 5 March 2013. For details of the vesting and other conditions and the fair value of these performance shares see page 21 and subsequent pages.

Bertrand JULIEN-LAFERRIERE Chief Executive Officer	2012	2013
Remuneration due for the year (1) (see Table 2 for details)	908,185	911,408
Fair value of stock options granted during the year (see Table 4 for details)	0	0
Fair value of performance shares awarded during the year (2) (see Table 6 for details)	599,980	326,495
Total	1,506,165	1,237,903

(1) 2012 remuneration: remuneration due in 2012 (Table 2) – 2011 bonus paid in 2012 + 2012 bonus paid in 2013.
2013 remuneration: remuneration due in 2013 (Table 2) – 2012 bonus paid in 2013 + 2013 bonus paid in 2014.
(2) A total of 64,202 performance shares have been awarded to Bertrand Julien-Laferrière, of which 42,359 on 16 February 2012 (including 20,516 in line with the commitments given at the time of his appointment on 5 October 2010) and 21,843 on 5 March 2013. For details of the vesting and other conditions and the fair value of these performance shares see page 21 and subsequent pages.

Nicolas REYNAUD Managing Director	2012	2013
Remuneration due for the year (1) (see Table 2 for details)	447,818	466,276
Fair value of stock options granted during the year (see Table 4 for details)	0	0
Fair value of performance shares awarded during the year (2) (see Table 6 for details)	59,980	65,290
Total	507,798	531,566

(1) 2012 remuneration: remuneration due in 2012 (Table 2) – 2011 bonus paid in 2012 + 2012 bonus paid in 2013.
2013 remuneration: remuneration due in 2013 (Table 2) – 2012 bonus paid in 2013 + 2013 bonus paid in 2014.
(2) A total of 8,738 performance shares have been awarded to Nicolas Reynaud, of which 4,369 on 16 February 2012 and 4,369 on 5 March 2013.
For details of the vesting and other conditions and the fair value of these performance shares see page 21 and subsequent pages.
Nicolas Reynaud's remuneration presented above corresponds to the amounts paid to him under his employment contract as Chief Financial Officer. He is not paid any additional remuneration for serving as Managing Director.

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

Juan José BRUGERA CLAVERO Chairman of the Board	2012		2013	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Fixed remuneration	150,000	150,000	150,000	150,000
Bonus	0	0	0	0
Exceptional bonus	0	0	0	0
Directors' fees(1)	36,000	36,000	36,000	36,000
Benefits in kind	0	0	0	0
Other	0	0	0	0
Total	186,000	186,000	186,000	186,000

(1) Directors' fees based on the annual amount of €36,000 allocated to the Chairman of the Board of Directors and/or of a Committee of the Board by decision of the Board of Directors on 9 December 2008.

Bertrand JULIEN-LAFERRIERE Chief Executive Officer	2012		2013	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	400,000	400,000	420,000	420,000
Bonus (1)	340,600	340,600	479,485	479,485
Exceptional bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind (2)	20,058	20,058	19,669	19,669
Other (3)	8,642	8,642	21,786	21,786
Total	769,300	769,300	940,940	940,940

(1) The method for calculating Bertrand Julien-Laferrière's bonus was decided by the Remunerations and Selection Committee of the Board of Directors on 4 March 2011 for the 2011 bonus paid in 2012 and on 16 February 2012 for the 2012 bonus paid in 2013.
Bertrand Julien-Laferrière's 2013 bonus paid in 2014 was calculated according to the method decided by the Board of Directors on 14 February 2013, and amounted to €449,953.
The criteria and methods used for calculating bonuses are described on page 19.
(2) Benefits in kind: company car and private unemployment insurance (Garantie Sociale des Chefs et dirigeants d'entreprise or GSC).
(3) Matching employer payments on voluntary contributions for 2012 and 2013 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the discretionary profit-sharing plan for 2011 and 2012 (paid in 2012 and 2013 respectively) set up pursuant to an internal agreement with employee representatives dated 30 June 2011. Profit shares payable in 2014 in respect of 2013 had not been determined at the date this document was published.

Nicolas REYNAUD Managing Director	2012		2013	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	241,765	241,765	251,427	251,427
Bonus (1)	183,890	183,890	191,984	191,984
Exceptional bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind (2)	3,567	3,567	3,552	3,552
Other (3)	10,502	10,502	24,650	24,650
Total	439,724	439,724	471,613	471,613

(1) The method for calculating Nicolas Reynaud's bonus was decided by the Remunerations and Selection Committee of the Board of Directors on 4 March 2011 for the 2011 bonus paid in 2012 and on 16 February 2012 for the 2012 bonus paid in 2013.
His 2013 bonus, calculated according to the method decided by the Board of Directors on 14 February 2013, amounted to €186,647 and was paid in 2014.
The criteria and methods used for calculating bonuses are described on page 19.
(2) Company car.
(3) Matching employer payments on voluntary contributions for 2012 and 2013 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the non-discretionary and discretionary profit-sharing plans for 2011 and 2012 (paid in 2012 and 2013 respectively) set up pursuant to internal agreements with employee representatives dated 20 June 2002 and 30 June 2011. Profit shares payable in 2014 in respect of 2013 had not been determined at the date this document was published.

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

Name	Amounts paid in 2012	Amounts paid in 2013
Anthony WYAND		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean ARVIS		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean-Jacques DUCHAMP		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jacques CALVET		
Directors' fees	24,000	24,000
Other remuneration	0	0
REIG Capital Group Luxembourg		
Directors' fees	18,000	18,000
Other remuneration	0	0
Juan José BRUGERA CLAVERO		
Directors' fees	36,000	36,000
Other remuneration	0	0
Pere VIÑOLAS SERRA		
Directors' fees	36,000	36,000
Other remuneration	0	0
Carlos FERNANDEZ-LERGA GARRALDA		
Directors' fees	36,000	36,000
Other remuneration	0	0
Carmina GAÑET CIRERA		
Directors' fees	24,000	24,000
Other remuneration	0	0
Aref LAHHAM		
Directors' fees	24,000	24,000
Other remuneration	0	0
Anne-Marie DE CHALAMBERT		
Directors' fees	18,000	18,000
Other remuneration	0	0
Bertrand LETAMENDIA		
Directors' fees	18,000	18,000
Other remuneration	0	0
Carlos LOSADA MARRODAN		
Directors' fees	18,000	18,000
Other remuneration	0	0
Luis MALUQUER TREPAT		
Directors' fees	18,000	18,000
Other remuneration	0	0
Total	342,000	342,000

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

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

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

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

TABLE 6 – PERFORMANCE SHARE RIGHTS GRANTED DURING THE YEAR TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	Plan no. and date	Number of performance share rights awarded during the year (1)	Fair value of performance share rights as calculated in the consolidated accounts (2)	Vesting date (3)	End of lock-up period (4)	Performance criteria (5)
Juan José BRUGERA CLAVERO	Plan 1 5 March 2013	3,750	56,053	4 March 2016	4 March 2018	
Bertrand JULIEN-LAFERRIERE	Plan 1 5 March 2013	21,843	326,495	4 March 2016	4 March 2018	
Nicolas REYNAUD	Plan 1 5 March 2013	4,369	65,290	4 March 2016	4 March 2018	
Directors	No performance share rights were awarded during the year					

(1) 29,962 performance share rights granted to the Chairman, the Chief Executive Officer and the Managing Director under the performance share plan approved by the Board of Directors on 5 March 2013 pursuant to an authorisation given by the Annual General Meeting on 9 May 2011. This corresponds for each grantee to the maximum number of shares that may vest under the plan approved by the Board of Directors on 5 March 2013, provided that they remain with the Group until the end of the vesting period and the performance conditions are met. Details of the performance conditions are provided on page 21.
(2) The fair value of the performance shares corresponds to the number of shares expected to vest multiplied by the fair value per share. The number of shares expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate (70.83%). The fair value per share corresponds to the share price on the award date, adjusted for the discounted value of future dividends expected to be paid during the vesting period (€31.65 for performance share rights awarded under the plan dated 5 March 2013).
(3) Date when the performance shares will vest, provided that the grantee remains with the Group until that date and the performance conditions are met. The vesting date is timed to fall ten business days after the publication by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year following the award date and not less than three years after the award date (i.e. 4 March 2016 at the earliest).
(4) Performance shares may not be sold or otherwise transferred for two years after the vesting date, with certain exceptions such as in the case of disability or death. In addition, in accordance with the recommendations contained in the AFEP-MEDEF Corporate Governance Code, after the end of the statutory 2-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director are required to keep 40% of the shares for the remainder of their period of service with the Company, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.
(5) The number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period. The performance criteria are presented on page 21.

TABLE 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE YEAR

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

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS

Date of shareholder authorisation	**21 April 2005**
Grant date	**13 March 2007**
Number of shares under option [1]	282,418
exercisable by:	
• serving corporate officers as of the grant date	82,272
• serving corporate officers as of 31 December 2013	26,035
• Nicolas Reynaud, Managing Director	26,035
Starting date of exercise period	**13 March 2007**
Option expiry date	**12 March 2015**
Adjusted exercise price (in €) [1]	60.11
Exercise periods (plans comprising several tranches)	-
Number of options exercised at 31 December 2013	0
Cumulative number of options cancelled or forfeited	74,121
Number of options outstanding at 31 December 2013	208,297

(1) The above exercise price and number of shares under option were adjusted in application of Article L.228-99 of the French Commercial Code following the distribution from the share premium account of successive special dividends of €0.70 per eligible share, as decided by the General Meetings of 4 November 2011 and 15 November 2012.

TABLE 9 – SUMMARY OF PERFORMANCE SHARE RIGHTS GRANTED IN PREVIOUS YEARS

	Plan n°1		Plan n°2
Date of shareholder authorisation		**9 May 2011**	
Grant date	**16 February 2012**	**5 March 2013**	**16 February 2012**
Total performance share rights granted of which, rights granted to:	49,481	52,716	20,516
• Corporate officers	29,962	29,962	20,516
• Juan José Brugera Clavero	3,750	3,750	–
• Bertrand Julien-Laferrière	21,843	21,843	20,516
• Nicolas Reynaud	4,369	4,369	–
Vesting date	**15 February 2015**	**4 March 2016**	**15 February 2014**
End of lock-up period	**14 February 2017**	**3 March 2018**	**14 February 2016**
Performance criteria		See page 21	
Number of vested performance shares as of 31 December 2013	–	–	–
Cumulative number of performance share rights cancelled or forfeited	2,074	1,900	–
Performance share rights outstanding as of 31 December 2013	47,407	50,816	20,516

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

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

(1) The terms and conditions governing the compensation for loss of office as Chief Executive Officer that would be payable to Bertrand Julien-Laferrière were decided by the Board of Directors at its meetings on 5 October and 14 December 2010 (see page 20 for details).
(2) Nicolas Reynaud has an employment contract that covers his duties as Chief Financial Officer, a position he has held since 15 May 2006.
The position of Managing Director, to which he was appointed by the Board on 25 September 2008, is not covered by the AFEP-MEDEF Corporate Governance Code, according to which, in a company with a Board of Directors, the Chairman of the Board and/or the Chief Executive Officer should not have an employment contract with the company.
(3) Nicolas Reynaud would not be entitled to any compensation for loss of office in the event that his appointment as Managing Director were to be terminated.
At its meeting on 9 February 2004, the Board of Directors decided to insert a change of control clause in the employment contracts of the members of the Company's Management Committee. Nicolas Reynaud is covered by this clause, which was updated at the Board meetings of 25 July 2006 and 4 April 2008. Under the clause, if Nicolas Reynaud is dismissed (other than for gross or wilful misconduct) or resigns within 18 months following a material direct or indirect change in the Company's reference shareholders or controlling shareholder resulting in a significant change in his responsibilities, he will receive compensation in addition to the termination benefit due by law or under the collective bargaining agreement, provided that he undertakes not to encourage other Company employees to leave. The amount of said compensation has been set at double his gross annual remuneration for the financial year preceding his dismissal or resignation.

Performance criteria used to determine the 2012 and 2013 bonuses of the Chief Executive Officer and the Managing Director

At its 16 February 2012 meeting, the Board of Directors decided on the performance criteria to be used to determine the 2012 bonuses of the Chief Executive Officer and the Managing Director, based on the recommendation of the Remunerations and Selection Committee.

These bonuses are determined as follows:
• 50% of the bonus is based on an annual financial target for the Group as whole (quantitative bonus), and
• 50% is based on personal performance targets (qualitative bonus).

For 2012, the first 50% of the bonus was based on EPRA earnings, with a target of €65.7 million, and was calculated as shown below:

Actual performance as a % of the target	2012 quantitative bonus calculated as a % of salary (1)	
	Chief Executive Officer	Managing Director (2)
A. 122% and over	145%	116%
B. 100%	100%	80%
C. 70% and over	60%	48%
D. Less than 70%	0	0

(1) Before weighting for the portion of the total bonus represented by the quantitative bonus.
(2) These percentages may be adjusted if performance share rights are granted during the reference year. In this case, the Managing Director's bonus would represent 70% of his salary if the performance target were met (100% achievement rate).
- Less than 70%: 0
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

At its 14 February 2013 meeting, the Board of Directors approved the performance targets for the 2013 bonuses of the Chief Executive Officer and the Managing Director based on the recommendation of the Remunerations and Selection Committee.

The same breakdown applies as in 2012, as follows:

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

The selected quantitative criterion is EPRA earnings, with the target for 2013 set at €63.2 million.
The bonus rates are the same as for 2012.

The qualitative performance targets for 2012 and 2013 were clearly defined in advance. They are not disclosed for confidentiality reasons.

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

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

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

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

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

Agreement with Bertrand Julien-Laferrière, Chief Executive Officer

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

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

The agreement provides for the payment of compensation for loss of office to Mr. Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment.
Said compensation would represent the equivalent of six months' remuneration.
If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board.
As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal.
No other components of his remuneration package would be taken into account in the calculation.

Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.
Effective from 2011, half of Mr. Julien-Laferrière's bonus is based on qualitative performance criteria and half on quantitative criteria, determined each year by the Board of Directors based on the recommendation of the Remunerations and Selection Committee.

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

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

The compensation would be payable within sixty days of the Board meeting at which the fulfilment of the performance criteria was noted.

5 March 2013 performance share plan

On 5 March 2013, based on the recommendation of the Remunerations and Selection Committee, the Board of Directors decided to use the authorisation given by the General Meeting of 9 May 2011 to set up two performance share plans.

Under Plan 1 set up by the Board of Directors on 16 February 2012, a total of 29,962 shares were awarded to the Chairman, the Chief Executive Officer and the Managing Director, of which 21,843 to the Chief Executive Officer, Bertrand Julien-Laferrière, 4,369 to the Managing Director, Nicolas Reynaud, and 3,750 to the Chairman of the Board, Juan José Brugera Clavero.
The plan was extended to all employees of the Company and the other Group entities in order to give them a stake in the Company's growth, in line with the requirements of Article L.225-197-6 of the French Commercial Code.

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

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the award date (i.e. for this award, the year ended 31 December 2015).

- **Continuing presence within the Group:**

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

- **Performance targets:**

In accordance with the AFEP-MEDEF Corporate Governance Code, for performance shares granted to the Chairman, the Chief Executive Officer and the Managing Director, the number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period for each of the plans.

- **Lock-up periods**

As recommended in the AFEP-MEDEF Corporate Governance Code, after the end of the statutory 2-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director are required to keep 40% of the shares for the remainder of their period of service with the Company, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Also in line with the recommendations in the AFEP-MEDEF Code, the Chairman, the Chief Executive Officer and the Managing Director have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

The performance shares awarded to the Chairman, the Chief Executive Officer and the Managing Director together represent less than 1% of the Company's capital.

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

The following table presents the total gross remuneration for 2013 paid by Société Foncière Lyonnaise to the persons who were members of the Management Committee at 31 December 2013 other than the Chief Executive Officer and the Managing Director:

	2013
2013 salaries	961,022
2013 bonuses (1)	403,767
Benefits in kind	31,252
Exceptional bonus	–
Discretionary/non-discretionary profit-sharing (2)	110,675
Matching payments to the Group Pension Savings Plan (PERCO)	18,000

(1) With the same 50/50 split between quantitative and qualitative targets as for the bonuses awarded to the Chairman, the Chief Executive Officer and the Managing Director, as decided by the Board of Directors on 14 February 2013.
(2) Discretionary and non-discretionary profit shares paid in 2013 pursuant to the internal agreements of 20 June 2002 and 30 June 2011. Profit shares payable in 2014 in respect of 2013 had not been determined at the date this document was published.

4. Outlook and Risk Management

4.1. Subsequent events

Significant events since 31 December 2013

On 7 February 2014, Parchamps signed a lease with a major strategy consulting firm on 6,000 square metres in the 90 Champs Élysées building that is currently being renovated. The lease is for nine years and the rent ranges from €690 to €720 per square metre. It will come into effect in the spring of 2015 when the renovated building is delivered.

Eric Oudard, 45, has joined SFL's Management Committee as Technical and Development Director. Reporting to Dimitri Boulte, Chief Operating Officer, he will oversee the development of major projects, the technical operation of the buildings in the portfolio, the implementation of redevelopment projects, and the deployment of the Group's sustainable development policy.

Eric Oudard is a graduate of the Ponts et Chaussées engineering school and an affiliate member of the Chartered Institute of Building Services Engineers (CIBSE). Prior to joining SFL, he held positions with Accor, Casino Immobilier, Pierre et Vacances and Luminatis.

There have been no material changes in the Group's financial or business position since 31 December 2013.

4.2 Outlook

Forecast developments and outlook

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

4.3. Risk factors

At a time of financial market instability, SFL is prudently managing its financial risks.

1- LIQUIDITY RISK

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2013, SFL had access to confirmed undrawn lines of credit representing €700 million compared with €605 million at 31 December 2012. With its available credit lines, diversified debt structure and the quality of its assets, SFL manages its liquidity risk prudently and effectively.

2- COUNTERPARTY RISK

All financial instrument contracts are entered into with leading financial institutions. The contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized that these same banks finance a portion of the Group's debt. Counterparty risk is minimal because available cash is generally used to repay borrowings under the revolving lines of credit. The rental deposits obtained from tenants offer protection against the risk of rent default. SFL considers that its exposure to counterparty risk on operations is not material.

See also:
- Note 6-8 to the consolidated financial statements (Trade and other receivables), page 162;
- Note 6-12 to the consolidated financial statements (Short and long-term interest-bearing debt), pages 164 and 165;
- Note 2-3 to the consolidated financial statements (Investment property), pages 150 and 151;
- Section 4.4 of the Management Report (Insurance), pages 29 and 30.

3- CURRENCY RISK

SFL had no exposure to currency risks at 31 December 2013.

4- INTEREST RATE RISK

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

a/ Objectives and strategy

Standard interest rate derivatives and fixed rate borrowings are used with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Steeper or flatter yield curves, market volatility, intrinsic interest rate levels and expected interest rate trends influence the choice of hedging instruments.

At least 70% of borrowings are hedged over average periods that are aligned as closely as possible with debt maturities while keeping hedging costs at a reasonable level.

At 31 December 2013, 82% of debt was hedged against interest rate risks.

b/ Risk assessment

The average spot cost of debt after hedging stood at 3.34% at 31 December 2013, versus 3.6% at 31 December 2012.

A 50-basis point rise in interest rates across the yield curve in 2013 would have had the effect of increasing the average cost of debt to 3.44%, and driving up finance costs by €1,449 thousand or 2.3%. A 50-basis point decline in interest rates across the yield curve would have had the effect of lowering the average cost of debt to 3.24%, and reducing finance costs by €1,522 thousand or 2.4%.

Concerning the sensitivity of our hedging instruments at 31 December 2013, a 50-basis point increase in interest rates would lift their fair value by €3,265 thousand (€8,605 thousand at 31 December 2012), while a 50-basis point drop in rates would reduce their fair value by €3,344 thousand (€8,833 thousand at 31 December 2012). See also Note 6-30, page 170.

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

	31 December 2013	31 December 2014	31 December 2015	31 December 2016	31 December 2017
Syndicated loans	50,000	50,000	50,000	50,000	50,000
BECM revolving line of credit	150,000	–	–	–	–
Natixis-Deka-Deutsche Hypo loan	204,256	202,198	199,883	196,796	–
Finance lease liabilities	32,851	30,061	27,271	–	–
Current account advances	71,994	71,994	–	–	–
Cadif	18,000	–	–	–	–
Total floating rate debt	**527,101**	**354,253**	**277,154**	**246,796**	**50,000**
Natixis-Deka-Nord LB swaps	185,220	185,220	185,220	185,220	–
Total hedges	**185,220**	**185,220**	**185,220**	**185,220**	**–**
NET EXPOSURE	**341,881**	**169,033**	**91,934**	**61,576**	**50,000**

5 – THE COMPANY IS EXPOSED TO CHANGES IN THE ECONOMIC ENVIRONMENT AND THE PROPERTY MARKET

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

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

Rental indices trended upwards in 2013, automatically leading to an increase in our rental revenues.

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

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

The property cycle can trigger a reversal of the rental and/or investment markets. Financial institutions were hit by the financial crisis of the last few years, and this had a knock-on effect on the main players in the property market.

Investment yields on prime real estate are continuing to decline due to investor appetite for this class of assets.

To measure and take into account the risk of a market downturn, tests have been performed to determine the sensitivity of portfolio values to a 25-bps decrease or increase in perpetuity growth rates. These tests show that the impact would be limited, ranging from a positive 3.3% to a negative 3.0%.

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

The environment remains challenging because of the uncertainty hanging over sovereign debt since 2011. Some market players will have to scale back their activities because of the need to refinance borrowings falling due in the coming years, while the banks will be less inclined to finance higher risk projects.

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

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

As a result, our main competitors are:

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

7- RISKS ASSOCIATED WITH TENANTS

The Company derives most of its revenue from renting its property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2013, our top ten tenants accounted for around 41% of total rental revenue and the top two for roughly 13%. Some 30% of tenants operate in the financial services and insurance sectors.

All rents are subject to escalation clauses, with 66% adjusted based on the INSEE construction cost index, 11% on the ILAT office rent index, 11% on the ILC commercial property rent index and 12% on the IRL residential property rent index.

The Company's ability to collect rent depends on tenants' solvency and liquidity position. Tenants may be unable to pay their rent on time or may default on their payments, or the Company may be obliged to reduce the rent charged to certain tenants due to their financial position.
See Note 6-8 to the consolidated financial statements (Trade and other receivables).

8- RISKS ASSOCIATED WITH THE AVAILABILITY AND COST OF FINANCING

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

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

The Company could obtain funds by selling assets, but this source of financing is subject to market risk. Decreased sales and troubled markets could lead to financial losses and the premature sale of assets could hinder the Company's long-term strategy and result in lost opportunities. In addition, our ability to sell assets may be curtailed if the property market is not sufficiently liquid.

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

SFL's financing needs could increase if the maturity of its debt is accelerated. Certain loan agreements contain acceleration clauses that are triggered if certain financial ratios or other commitments from the Company are not met, or if there is a change of control of the Company. A change of control is defined, for certain lines of credit, as the transfer of control from the current majority shareholder to a third party, and for others (representing €150 million) as a reduction in the majority shareholder's interest to less than 50%.

9- RISKS ASSOCIATED WITH THE LOSS OF KEY PERSONNEL

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

10- RISKS ASSOCIATED WITH SUBCONTRACTORS AND OTHER SERVICE PROVIDERS

We use contractors and other service providers for major renovation projects and for the day-to-day maintenance of our properties. There are a limited number of construction companies with the capacity to carry out major property renovation work or implement development projects in Paris. We are therefore dependent on these companies for the timely completion of our projects. In addition, if a contractor involved in any such project were to go out of business or file for bankruptcy, or if the quality of its services were to decline, this could delay completion of the project and drive up costs. Unexpected delays in renovation or refurbishment could extend the period during which our properties are unavailable for rent, which could have an unfavourable impact on our business, financial situation or results. Insolvency could also affect a contractor or service provider's ability to meet performance guarantees.

11- RISKS ASSOCIATED WITH THE REGULATORY ENVIRONMENT

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

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

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

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

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

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

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

12- RISKS ASSOCIATED WITH GOVERNMENT-RELATED PROCEDURES

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

The process of securing these permits entails a risk of project delays, as some permits take longer than others to obtain, and a risk of changes to the building plan, as a permit's issuance may be conditional on the project's compliance with certain criteria.

Once the permits are obtained, there is still a risk that third parties will raise objections, which may introduce further project delays and, sometimes, plan changes.

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

13- RISKS OF NEIGHBOURHOOD COMPLAINTS

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

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

When demolition work or work on the fabric of a building is planned, we systematically arrange for a court-appointed expert to prepare a report on the condition of neighbouring properties and on existing disamenities before the work begins.

Contractors are required to take measures to limit disamenities, mainly by keeping public spaces clean and managing traffic, dust, noise and vibrations. Noise levels and other disamenities are also regularly monitored. In addition, contractors are required to meet the high or very high-performance criteria under France's HQE standards for maintaining "green" worksites with a minimal environmental footprint.

14- RISKS ASSOCIATED WITH THE MAJORITY SHAREHOLDER

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

See paragraph 5.5.4 – Shareholders' pact, on page 38.

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

15- RISKS ASSOCIATED WITH THE SIIC TAX REGIME

15.1 Conditions of eligibility for the SIIC tax regime

On 29 September 2003, SFL elected to be taxed under the REIT-style SIIC tax regime, with retroactive effect from 1 January 2003. Under this regime, SFL is exempt from paying corporate income tax on the portion of its profit generated by:

- The rental of property, including properties acquired under finance leases or leased temporarily from the State, a national or regional government agency or a publicly controlled entity.
- Capital gains realised on the sale of properties, finance lease rights, shares in look-through partnerships or shares in subsidiaries that have elected to be taxed as SIICs.
- Dividends received from qualifying subsidiaries.

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

15.1.1 Conditions for eligibility

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

- The SIIC must be listed on a regulated market in France or a regulated market that complies with the requirements of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.
- It must have share capital of at least €15 million.
- Its main corporate purpose must be either to acquire or construct rental property or to take direct or indirect ownership interests in entities with an identical corporate purpose that are taxed as look-through partnerships or are subject to corporate income tax.
- No single shareholder or group of shareholders acting in concert may hold 60% or more of the share capital or voting rights of the SIIC, apart from certain exceptions expressly provided for by law, in particular when the shareholder or shareholders acting in concert that hold, directly or indirectly, more than 60% of the capital or voting rights are themselves SIICs.

15.1.2 Distribution obligations

The SIIC must distribute to shareholders:

- 85% (up to 31 December 2013*) of profits derived from the rental of property (including properties acquired under finance leases or leased temporarily from the State, a national or regional government agency or a publicly controlled entity) either directly or through companies governed by Article 8 of the French Tax Code, within one financial year.
- 50% (up to 31 December 2013*) of capital gains realised on (i) sales of property or finance lease rights either directly or through companies governed by Article 8 of the French Tax Code and (ii) sales of qualifying interests in property companies, within two financial years.
- 100% of the dividends received from subsidiaries that have elected to be taxed as an SIIC, within one financial year.
- 100% of the dividends received from other SIICs or from foreign REITs or from variable capital property investment companies ("SPPICAVs") that have been over 5%-owned for at least two years, within one financial year of the dividends being received.

(* 95% and 60% respectively from 1 January 2014.)

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

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

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

- The Company and its subsidiaries would not benefit from the SIIC regime for the year during which the conditions were no longer fulfilled or for subsequent years. As a result, all of the profits generated during those years would be subject to corporate income tax.
- If the Company were to exit the SIIC regime within the first 10 years, any capital gains taxed at the reduced rate of 16.5% (or 19% as of 1 January 2009) on election for SIIC status (or when new assets became eligible for the SIIC regime) would be taxed at the full corporate income tax rate at the exit date, less the 16.5% or 19% tax paid when the election for SIIC status was made (or the assets became eligible for the SIIC regime).
- All capital gains realised after the Company exited the SIIC regime would be calculated by reference to the market value used to calculate the 16.5% exit tax paid when the Company elected for taxation as an SIIC (or the 19% tax for new assets that became eligible for the SIIC regime after 1 January 2009).
- All tax-exempt profits generated while the Company was an SIIC and not paid out in the form of dividends would have to be added back to the taxable profit of the Company and its subsidiaries when they exited the SIIC regime. All dividends subsequently paid out of after-tax profit would be eligible for the affiliation privilege, as would dividends paid out of profits taxed at the standard corporate income tax rate while the Company was an SIIC.
- The Company would be subject to an additional 25% tax on the portion of unrealised capital gains generated during the tax-exempt period. Specifically, this rate would apply to the amount of unrealised capital gains generated on tax-exempt property since the Company's election for SIIC status, reduced by one tenth for every calendar year in which the Company was taxed as an SIIC.
- Lastly if a commitment had been given to retain for five years properties or shares in property companies acquired from an entity subject to corporate income tax (in accordance with Article 210E of the French Tax Code), the Company would be liable for a penalty equal to 25% of the purchase price of the properties or shares.

15.2.2 Non-compliance with the 60% ownership ceiling

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

The suspension would be temporary, provided that the situation was remedied before the end of the financial year in which the breach occurred.

The Company and its subsidiaries could therefore recover tax-exempt status the following year. However, if the 60% limit were still exceeded at the end of that year, the SIIC status of the Company and its subsidiaries would be definitively revoked.

With the return to tax-exempt status, the amount of tax due in respect of unrealised gains on property normally eligible for SIIC tax exemption would be limited to those gains generated during the suspension period. They would be taxable at the reduced rate of 19%. Unrealised gains on taxable property would however not be immediately subject to tax.

If the limit were to be exceeded during the year due to a public tender offer or a transaction governed by the tax rules applicable to mergers, the rule would not be considered to have been breached provided that the shareholder's interest was brought back to below 60% by the deadline for reporting the SIIC's results for the year concerned.

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

15.2.3 Non-compliance with distribution obligations

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

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

15.3 20% withholding

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

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

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

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

15.4 15% withholding tax on dividends paid to pooled investment vehicles

Since 17 August 2012, sums paid out of tax-exempt "SIIC" profits and distributed to French UCITS (OPCVM, OPCI or Sicaf property funds) or comparable foreign pooled investment vehicles, are subject to 15% withholding tax. This withholding tax does not discharge the shareholder from the payment of personal or corporate income tax and cannot be recovered or set off against any other tax liability.

This withholding tax could dissuade these pooled investment vehicles from acquiring a stake in our Company, which could affect the share price.

15.5 Future changes to the SIIC regime

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

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

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

4.4. Insurance

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

A – PROPERTY INSURANCE

Situation in the insurance market:

In 2013, the insurance market for large property portfolios remained heavily supply driven, with many insurance companies competing for a share of this segment.

SFL chose to keep the insurance programmes set up with leading insurers, including the Axa and Allianz groups, after negotiating more competitively priced cover.

A key focus was on improving coordination between the insurance programmes covering major redevelopment projects, to improve the level of protection and optimize premiums.

1. COMPREHENSIVE PROPERTY INSURANCE WITH NAMED EXCLUSIONS

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

- SCI 103 Grenelle,
- SCI Washington,
- SCI Paul Cézanne,
- the companies in the Parholding sub-group as from 1 January 2014, allowing them to benefit from improved cover.

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

Insured entities:

All properties belonging to SFL and its subsidiaries listed above, whether they are:

- fully owned, or
- co-owned.

For co-owned buildings that are managed by a third-party manager, the policy includes "manager failure" cover. Under this policy, insurance cover for the properties concerned kicks in where the cover taken out by the manager is inadequate or non-existent.

The maximum insured value is €300 million, including loss of rental revenue for all properties in the portfolio.

Loss of rental revenue is covered for up to 36 months or 48 months for the following eight properties:

- Washington Plaza,
- Cézanne Saint-Honoré,
- Édouard VII,
- #Cloud,
- Rives de Seine,
- Louvre Saint-Honoré,
- Haussmann Saint-Augustin.

These periods have been set in such a way as to cover the estimated time required to rebuild and repair the properties after a major incident, taking into account their location, the complexity of the work that would be involved, the size of the site, unavoidable administrative time and any third party claims. SFL's properties are all located on prime sites and high quality insurance cover is essential.

The policy also covers the cost of repairing damage to new work arising during renovations to the insured properties, up to a maximum of €7.5 million.
This extension is designed to ensure that SFL can fulfil its commitments in respect of work not covered by a comprehensive site insurance policy that will, upon completion, form an integral part of a property asset covered by the main policy.

2. BUILDING OWNER'S LIABILITY

This policy has been cancelled and the insured risks added to the corporate liability policy, in order to reduce insurance costs.

B – CORPORATE INSURANCE

1. ALL-RISKS OFFICE AND IT

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

2. GENERAL LIABILITY

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

- LOCAPARIS,
- SEGPIM,
- PARHOLDING and its subsidiaries
- SCI Washington,
- SCI Paul Cézanne,
- SCI 103 Grenelle,
- SAS MAUD,
- SAS SB2,
- SAS SB3.

The policy covers:

- Third-party liability during operations and works, capped at €15 million (combined single limit), including (i) €1.5 million in accidental environmental damage cover and (ii) "inexcusable fault" cover of up to €1.5 million per claim and €2.5 million per year. In 2013, "inexcusable fault" cover was extended to include the extension of damages resulting from the Constitutional Council's decision of 18 June 2010.

- Professional liability insurance for the Group, up to a maximum of €3 million per claim and per underwriting year (combined single limit), of which €1 million corresponds to professional liability insurance for the property management and trading activities carried out by Locaparis.

- Liability cover for buildings undergoing major redevelopment was reworked in 2013, notably to include coverage of consequential losses incurred by third parties.

3. DIRECTORS' AND OFFICERS' LIABILITY

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

CONSTRUCTION INSURANCE

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

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

CLAIMS AND LITIGATION

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

5. SFL and its Shareholders

5.1. Information about the Company's capital

CHANGES IN CAPITAL OVER THE LAST FIVE YEARS (2009-2013)

Date	Description	Issues			New capital	
		Number of shares	Par value	Gross premium	Total number of shares	New capital
2009	Exercise of stock options	3,375	€6,750	€86,366.25	46,505,676	€93,011,352
2010	Exercise of stock options	23,298	€46,596	€596,195.82	46,528,974	€93,057,948
2011	None	–	–	–	46,528,974	€93,057,948
2012	None	–	–	–	46,528,974	€93,057,948
2013	None	–	–	–	46,528,974	€93,057,948

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2013

Main shareholders		Total shares	Total voting rights	Group total	% interest	% voting rights (1)
INMOBILIARIA COLONIAL SA(a)		24,726,400	24,726,400	**24,726,400**	53.14%	53.65%
CACIB(b)	Crédit Agricole Group	3,978,554	3,978,554	**6,479,637**	8.55% (2)	8.63% (3)
PREDICA(c)		2,368,484	2,368,484		5.09% (2)	5.14% (3)
Other subsidiaries (CA ASSURANCES and DOLCEA VIE)(c)		131,599	131,599		0.29% (2)	0.29% (3)
CREDIT AGRICOLE CHEVREUX(d)		1,000	1,000			
ROYAL BANK OF SCOTLAND(e)		3,482,791	3,482,791	**3,482,791**	7.49%	7.56%
ORION III EUROPEAN 3 SARL(f)		2,972,714	2,972,714	**2,972,714**	6.39%	6.45%
UNIBAIL RODAMCO SE(g)		3,372,714	3,372,714	**3,372,714**	7.25%	7.32%
REIG CAPITAL GROUP(h)		2,038,956	2,038,956	**2,038,956**	4.38%	4.42%
Total main shareholders		43,073,212	43,073,212	43,073,212	92.58%	93.46%
Free float		3,016,231	3,016,231	**3,016,231**	6.48%	6.54%
Treasury stock		439,351	–		0.94%	–
TOTAL		46,528,974	46,089,443	46,528,974	100.00%	100.00%

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

(1) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.
SFL's share capital at 31 December 2013 was €93,057,948.
To the best of the Company's knowledge, no other shareholder holds over 5% of the capital or voting rights and no agreement exists that could lead to a change of control of the Company.
(2) Percentage interest (Group total): 13.93%.
(3) Percent voting rights (Group total): 14.06%.

CHANGES IN OWNERSHIP STRUCTURE AND VOTING RIGHTS

	2010		2011		2012	
Main shareholders	% interest	% voting rights *	% interest	% voting rights *	% interest	% voting rights *
Inmobiliaria Colonial	53.45%	54.00%	53.45%	**54.03%**	53.45%	53.96%
Crédit Agricole Group, of which:	13.88%	14.02%	13.64%	13.79%	13.64%	13.77%
. CACIB / CALYON	*8.79%*	*8.88%*	*8.55%*	*8.64%*	*8.55%*	*8.63%*
. Prédica	*5.09%*	*5.14%*	*5.09%*	*5.15%*	*5.09%*	*5.14%*
. Crédit Agricole Chevreux	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*	*n.m.*
Royal Bank of Scotland	7.25%	7.32%	7.25%	**7.33%**	7.41%	7.48%
Eurohypo AG	7.25%	7.32%	–	–	–	–
Unibail Rodamco SE	–	–	7.25%	**7.33%**	7.25%	7.32%
Orion III European 3 SARL	6.39%	6.45%	6.39%	**6.46%**	6.39%	6.45%
Reig Capital Group	4.38%	4.43%	4.38%	**4.43%**	4.38%	4.42%
Free float	6.38%	6.46%	6.57%	**6.63%**	6.53%	6.60%
Treasury stock	1.02%	–	1.07%	–	0.95%	–
TOTAL	100%	100%	100%	100%	100%	100%

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

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

Changes in interests disclosed to the Company since 1 January 2014

None.

Changes in interests disclosed to the Company in 2013

On 29 May 2013, Crédit Agricole SA disclosed that its indirect interest in SFL had increased to above the 14% disclosure threshold on 23 May 2013 and that, at that date, it indirectly held 6,479,637 shares and voting rights, representing 13.93% of SFL's capital and 14.06% of the voting rights(1).
The additional SFL shares were purchased on the market by Crédit Agricole Assurances and Dolcea Vie, two subsidiaries of Crédit Agricole SA.

(1) Based on a total of 46,528,974 shares and 46,083,974 voting rights outstanding

Changes in interests disclosed to the Company in 2012

None.

Changes in interests disclosed to the Company in 2011

211C0256: On 2 March 2011, Eurohypo AG(1) (Helfmann Park 5, 65760 Eschbonn, Germany) disclosed that it had sold its SFL shares and was no longer a shareholder.
The shares were sold off-market

(1) Controlled by Commerzbank AG.

211C0257: On 2 March 2011, Unibail-Rodamco SE (7, place du Chancelier Adenauer, 75016 Paris, France) disclosed that it had increased its interest in SFL to over 5% of the Company's capital and voting rights and that at that date it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights(1).
The shares were purchased off-market pursuant to a share purchase agreement signed on 24 February 2011 between *inter alia* Eurohypo AG and Unibail-Rodamco SE.

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

5.2. Securities with rights to a share in the capital

The Company has not issued any other securities with rights to a share in the capital.

5.3. Directors' interests

Directors at 31 December 2013	Number of SFL shares held by directors[1] at 31 December 2013
Juan José BRUGERA CLAVERO	25
Jean ARVIS	500
Jacques CALVET	825
Anne-Marie de CHALAMBERT	25
Jean-Jacques DUCHAMP	25
Carlos FERNANDEZ-LERGA GARRALDA	50
Carmina GAÑET CIRERA	30
Aref LAHHAM	25
Bertrand LETAMENDIA	1,000
Carlos LOSADA MARRODAN	25
Luis MALUQUER TREPAT	400
Pere VIÑOLAS SERRA	1,825
Anthony WYAND	100
REIG CAPITAL GROUP LUXEMBOURG SARL (represented by Alejandro HERNÁNDEZ-PUÉRTOLAS)	2,038,956
Total	2,043,811

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

5.4. Transactions in SFL shares

Stock options granted to and exercised by the Chairman, the Chief Executive Officer and the Managing Director in 2013

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2013.

Stock options outstanding at 31 December 2013

	Plan	Number of options granted	Exercise price (in €)	Expiry date	Number of options exercised	Number of options outstanding at 31 December 2013
Nicolas REYNAUD	13 March 2007 SFL	26,035	60.11	12 March 2015	–	26,035
Total		26,035			–	26,035

Performance share grants

On 5 March 2013, based on the recommendation of the Remunerations and Selection Committee, the Board of Directors decided to set up a performance share plan in line with the authorisation given by the Annual General Meeting of 9 May 2011. A total of 52,716 performance share rights were granted to employees and officers of the Company and related companies within the meaning of Article L.225-197-2 of the French Commercial Code.

The performance conditions are the same as those for the first performance share plan dated 16 February 2012. Details of the plan are as follows:

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the award date (i.e. for this award, the year ended 31 December 2015).

Continuing presence within the Group

The performance shares will vest only if, at the end of a three-year period, the grantee is still an employee or officer of the Company or another Group entity, as applicable, unless the grantee's separation is due to certain events that are beyond his or her control (such as death, disability, retirement, or a change of control).

Performance targets

The number of performance shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated adjusted net assets (ANAV) per share over the vesting period for each of the plans, as calculated by adding back dividends paid in each year of said period.

The "target number of shares" is the number of shares that will vest if SFL fulfils its objective of being ranked third among the Reference Companies. It represents two thirds of the "maximum number of shares granted" which is the number of shares that will vest if SFL is ranked first among the Reference Companies, outperforming its target.

For each grantee, the number of shares that vest will be equal to:
- 150% of the target number of shares – i.e. the maximum number of shares granted – if SFL gets to first place in the ranking.
- 125% of the target number of shares if SFL gets to second place in the ranking.
- 100% of the target number of shares if SFL gets to third place in the ranking.
- 50% of the target number of shares if SFL gets to fourth place in the ranking.
- 0% of the target number of shares if SFL gets to fifth or sixth place in the ranking.

Lock-up period

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

Share buyback programme

The General Meeting of 18 April 2013 authorised a share buyback programme with the following objectives:

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq.* of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.

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

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

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

- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the twelfth extraordinary resolution of the 2013 Annual Meeting authorising the Board of Directors to reduce the capital.

- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorized by the applicable regulations.

The number of shares bought back in order to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger was limited to 5% of the issued capital.

The maximum purchase price for these shares was set at €55 per share.

At 31 December 2013, the Company held 439,351 shares in treasury, representing 0.94% of the capital, breaking down as follows:

1. Shares purchased for allocation to SFL Group employees: 57,936.

2. Shares purchased under a liquidity contract with an investment firm: 5,331.

3. Shares held for delivery on exercise of rights attached to share equivalents: 352,981

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

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

The Board of Directors has decided to table a resolution at the 24 April 2014 Annual General Meeting authorising a further buyback programme (15th resolution). The maximum purchase price for these shares would be set at €55.

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

Based on the issued capital at 31 December 2013, the authorisation would concern the buyback of up to 4,652,898 shares. This ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting.

The aims of the programme would be:

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq.* of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.
- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).
- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to cover the Company's obligations towards the holders of these securities.
- To buy shares for delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions.
- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the third extraordinary resolution of the 2014 Annual Meeting authorising the Board of Directors to reduce the capital.
- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorized by the applicable regulations.

When shares were bought back under a liquidity contract in accordance with the General Regulations of the Autorité des Marchés Financiers, the number of shares used to calculate the limit of 10% of the issued capital would correspond to the number of shares purchased minus the number of shares sold during the authorised period.

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

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

Summary of disclosures

Disclosure of treasury share transactions for the period from 1 January 2013 to 31 December 2013

Percentage of capital held by the Company and/or its subsidiaries	0.94%
Number of shares cancelled in the last 24 months	0
Number of shares held	439,531
Carrying amount of the shares	€23,877,556
Market value of the shares (as of 31 December 2013)	€16,741,736

	Cumulative transactions		Open positions on the publication date of programme details			
	Purchases	Sales/Transfers	Open buy positions		Open sell positions	
			Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	110,577	112,296		–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€38.69	€38.58	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€4,277,864.75	€4,332,719.54	–	–	–	–

Transaction costs under the liquidity contract amounted to €26,800 in 2013.

Transactions carried out by the Chairman, the Chief Executive Officer, the Managing Director or parties closely related to them.
None.

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

5.5.1. Corporate mutual fund

The "Actions SFL" corporate mutual fund has a Supervisory Board set up in accordance with Article L.214-40 of the French Monetary and Financial Code. The Board comprises:

- three members representing employees and former employees, and
- three representatives of SFL.

It held one meeting in 2013, on 19 September, to review the fund's annual management report.

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

5.5.2. Employee compensation and severance schemes

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

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

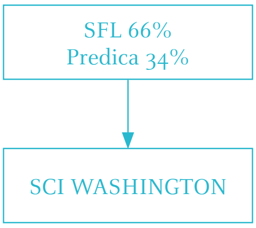
In addition, all employees whose employment contracts are governed by the National Collective Bargaining Agreement for the Property Industry are covered by Addendum no. 6 to the Company-level agreement dated 1 July 1999 which provides for enhanced severance pay in the event of redundancy. In such a case,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

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

5.5.3. Partnerships

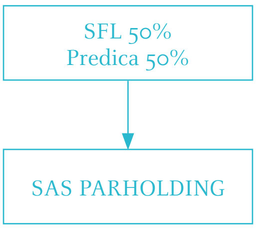
Partner	Joint venture	Main clauses
PRÉDICA (1)	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Prédica the other partner has the option of: – agreeing to the change of control(2); or – acquiring all the shares and shareholders' advances of the other partner; or –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

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



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

(1) Prédica, the life insurance subsidiary of Crédit Agricole Assurances, took up an equity interest in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.
(2) To enable SFL to fully consolidate Parholding (in accordance with IAS 27 – Consolidated and Separate Financial Statements that is applicable by SFL as a company listed on a regulated market according to IFRS 10) without increasing its interest in Parholding's capital, Parholding's governance was changed and the shareholders' pact was amended with effect from 31 December 2012, to give SFL and its representatives the power to control the company's strategic, financial and operating decisions by virtue of a contractual arrangement.



5.5.4. Shareholders' pacts

See paragraph 14 "Risks associated with the majority shareholder" on page 26.

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

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

Prédica representative on the Board of Directors and certain committees

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

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

Put option

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

- If SFL decides to revoke its election for the SIIC tax regime.

- If Colonial decides to delist SFL shares from the Premier Marché of NYSE Euronext Paris.

- If Colonial decides to change the Company's strategic priorities compared with those announced when it took control of SFL and which are set out in the shareholders' pact.

- If Colonial does not respect the provisions of the shareholders' pact concerning Prédica's representation on SFL's Board of Directors, for a period of over four months.

- If SFL is merged into Colonial.

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

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

Pre-emptive purchase right

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

Tag-along clause

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

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

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

210C1218:
1 - A copy of the 25 November 2010 shareholders' pact between SFL and Spanish company Realia Patrimonio SLU ("Realia"(1) concerning SIIC de Paris shares was transmitted to the French securities regulator (Autorité des Marchés Financiers) on 26 November 2010(2).

2 - The 25 November 2010 shareholders' pact between SFL and Realia is primarily intended to protect SFL's position as a minority shareholder of SIIC de Paris. The principal clauses are as follows:

- The SIIC de Paris Board of Directors will have ten members, of which three nominated by SFL, and certain fundamental decisions(3) of the Board may only be made by a majority vote of eight of the ten members.

- SFL will have a pre-emptive purchase right in the event of (i) the planned transfer by Realia of all or some of its SIIC de Paris shares in a transaction that will reduce its interest to less than 50% of the capital and voting rights, and (ii) any subsequent transfer of SIIC de Paris shares by Realia(4).

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

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

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

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

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

- The pact also describes:

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

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

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

  – Realia's commitment not to sell any SIIC de Paris shares to any identified buyer without first obtaining assurance of the buyer's unreserved commitment to adhere to the terms of the shareholders' pact.

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

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

The shareholders' pact was entered into for an initial period of 15 years and is automatically renewable for successive two-year periods unless either party gives notice of its intention to withdraw from the pact at least two months before the next renewal date.

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

5.6. Disclosure thresholds

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

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

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

5.7. Dividends paid in the last three years

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

Year	Dividend per share	Portion of dividend qualifying for the 40% tax allowance	Portion of dividend not qualifying for the 40% tax allowance
2010	€2.10	€2.10	€0
2011	€1.40	€0.39	€1.01
2012	€1.40	€0.61	€0.79

At the General Meeting of 4 November 2011, shareholders approved the payment of a special dividend of €0.70 per share. Shareholders also approved payment of a special dividend of €0.70 per share at the General Meeting of 15 November 2012. This dividend qualified for the 40% tax allowance.

Dividend policy

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

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

At the Annual General Meeting held to approve the 2013 financial statements, the Board of Directors will recommend paying a dividend of €1.40 in line with the dividend policy applied in previous years.

5.8. Share performance

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

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2013	January	38.00	35.00	277,153	9.923
	February	40.25	35.80	56,889	2.094
	March	39.60	36.81	100,648	3.869
	April	41.23	38.80	51,804	2.086
	May	41.00	38.50	73,331	2.853
	June	39.50	37.85	18,103	0.703
	July	39.80	38.00	60,091	2.358
	August	39.80	39.21	27,013	1.068
	September	39.70	38.85	40,271	1.580
	October	39.40	38.00	184,915	7.120
	November	39.30	38.70	16,046	0.626
	December	39.06	37.50	82,555	3.184
2014	January	40.08	37.47	44,892	1.723
	February	38.80	37.50	64,263	2.443

6. 2013 Sustainable Development Report

"Sustainable development is a process that takes into account the environmental and social aspects of development, with the goal of preserving natural resources over the long-term for future generations.
SFL has been renovating and developing urban properties since its creation in 1879, and is therefore a natural participant in the sustainable development process. However, our involvement goes far beyond building a legacy of sustainable structures.

Rather than a passing fad or publicity opportunity, sustainable development is a serious commitment for SFL. We intend to set the industry benchmark in this area, expressing our own vision in our core competencies, in compliance with ISO 26000 corporate social responsibility standards, France's Grenelle II environmental regulations and the best-practice recommendations of the Global Reporting Initiative (GRI), the GRI Construction and Real Estate Sector Supplement (CRESS), and the European Platform of Regulatory Authorities (EPRA).

Therefore, as presented in this report, we have implemented an ambitious process guided by clearly defined objectives focusing on the main areas of sustainable development that are relevant to our business. In particular, we aim to: reduce greenhouse gas emissions; perform building carbon audits; certify properties in use and development projects to the latest standards; reduce water use and improve waste management; support diversity, equal opportunity and employee training; improve building accessibility for the disabled; survey client/user satisfaction; and pay careful attention to the architectural and cultural aspects of our projects.

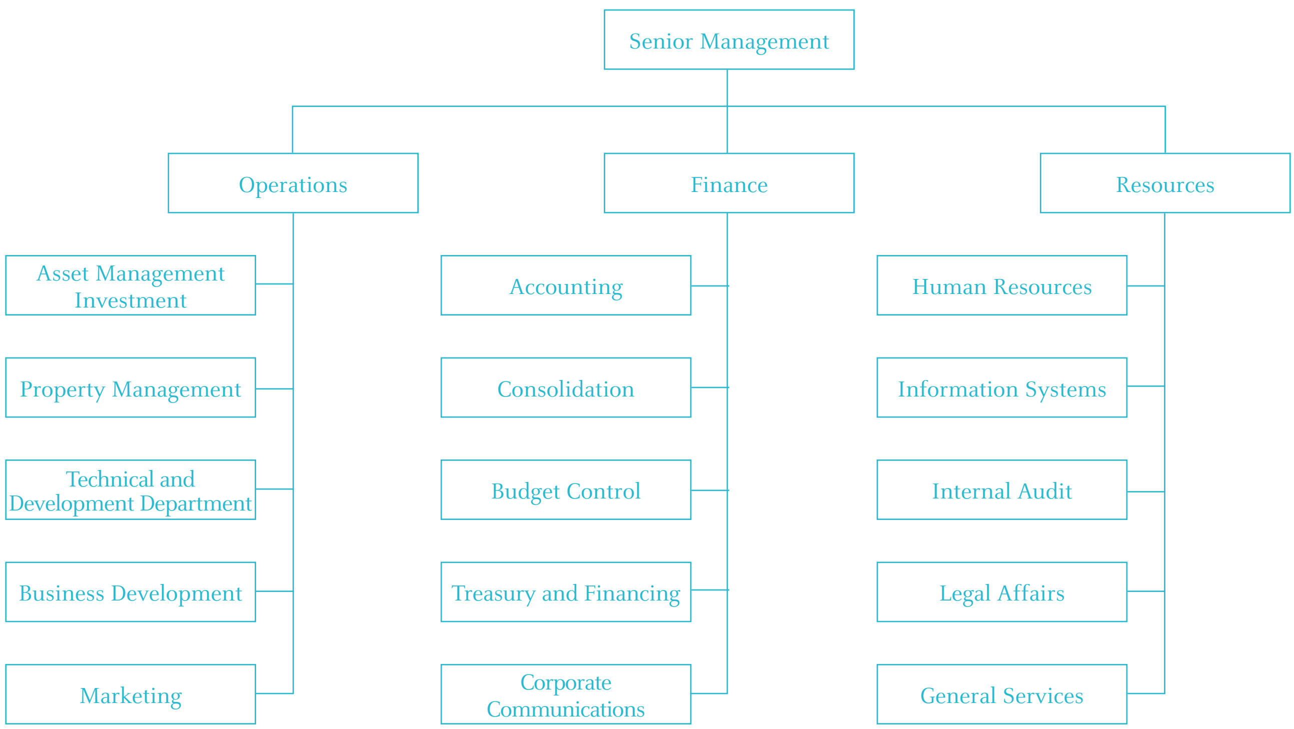
This report presents an assessment of our initiatives and describes the continuous improvement process to be implemented in the years ahead.

Since the publication of its first sustainable development report in 2011, SFL has consistently demonstrated the powerful impact it can have, as the leader in Paris's prime commercial property market, on improving our living environment and safeguarding all of our resources."

Nicolas Reynaud, Managing Director, SFL

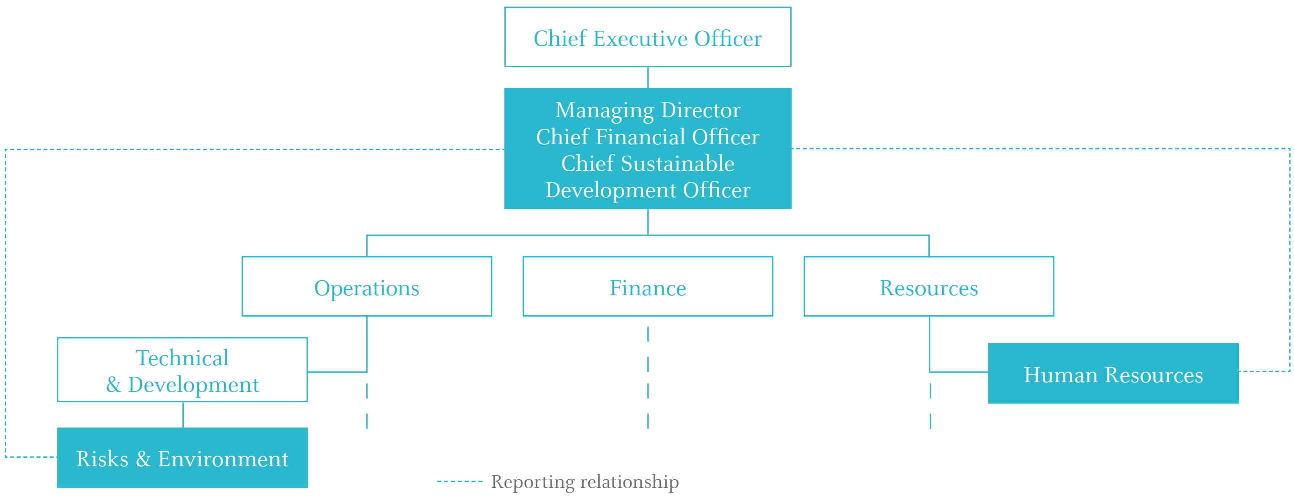
Governance and organisation structure

SFL's organisation structure is built around three areas of expertise:



A dedicated corporate team reporting directly to senior management has been set up to support our sustainable development strategy and meet our objectives in this area.

Governance and organisation structure for sustainable development



The Risks & Environment Department ensures that the procedures and initiatives designed to execute senior management's sustainable development strategy are effectively deployed by the operating teams and continuously tracks their impact and performance.

In particular, the tracking and assessment process is supported by an internal working group tasked with setting up an appropriate policy for SFL's day-to-day activities, notably by promoting eco-friendly behaviour, responsible purchasing, proper waste management and, more generally, any practice that could reduce SFL's environmental footprint.
The group reports to the Managing Director and Chief Sustainable Development Officer, who validates its recommendations.

A "GreenLetter" summarising the initiatives and solutions implemented in the head office is regularly distributed to employees and is accessible at any time on the corporate intranet. The newsletter also addresses the broader social responsibility aspects of the environment to raise awareness of the challenges SFL faces in its core business.

In addition, the Risks & Environment Department organises an information meeting for employees of all the operating and corporate units to keep them abreast of the Group's sustainable development initiatives.

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

Objectives and action plan

Sustainable development is a continuous improvement process, which is why we have developed a detailed action plan formalising our commitments and timetable, as follows:

	Objectives	Scope of reporting	Target deadline	Status as of 31 December 2012	Status as of 31 December 2013
Governance					
Organisation and procedures	- Structure and formalise the organisation	Head office	2012	100%	100%
Code of Ethics and Information Systems	- Strengthen existing standards	Head office	2013	50%	100%
Employee relations					
Diversity and equal opportunity	- Promote gender equality - Keep older employees in work - Support disabled employees	Head office	Ongoing		
Training and skills management	- Anticipate market trends to improve employee professionalism - Hold regular meetings to train and inform operating staff about our sustainable development strategy and issues and about new legislation	Head office	Ongoing		
Environment					
Energy use	- Track energy use on a quarterly basis - Reduce total energy used by buildings in the portfolio by 15% - Record client energy use	All buildings in the scope of reporting	Ongoing 2014 Ongoing	80%	63%
	- Track energy use on a quarterly basis - Reduce energy used at the head office by 15%	Head office	Ongoing 2014	0%	100%
Water use	- Track water use on a monthly basis - Record client water use - Reduce water use by 10% - Track water use on a monthly basis - Reduce water use by 10%	All buildings in the scope of reporting	Ongoing Ongoing 2013	100%	100%
	- Track water use on a monthly basis - Reduce water use by 10%	Head office	Ongoing 2014	8%	100%
Waste management	- Set up a waste sorting system - Improve measurement of waste generated by building operation	All buildings in the scope of reporting	2012 2013	78% 10%	100% 10%
Carbon footprint	- Perform a carbon audit of each building under renovation	Every building under renovation	Ongoing	100%	
	- Perform carbon audits of all the assets in the portfolio	All buildings in the scope of reporting	Ongoing	100%	100%
	- Perform a carbon audit of the head office	Head office	Every 3 years - 2015		

	Objectives	Scope of reporting	Target deadline	Status as of 31 December 2012	Status as of 31 December 2013
Certification for buildings in use	- Certify head office to BREEAM In-Use standards	Head office	2013		100%
	- Certify head office to the new BREEAM In-Use International standards		2014		0%
	- Initiate a process to certify buildings in use to BREEAM In-Use standards (Asset Performance and Building Management)	All buildings in the scope of reporting	2013	42%	100%
	- Certify all buildings under management to the new BREEAM In-Use International standards		2014	0%	17%
	- Initiate a process to certify single-tenant buildings not under management to BREEAM In-Use standards (Asset Performance)	Six buildings in the portfolio	2013	0%	100%
	- Certify all buildings not under management to the new BREEAM In-Use International standards		2014	0%	0%
Certification for buildings under renovation	- Initiate an environmental certification process for every building under renovation	All buildings under renovation	Ongoing	100%	100%
Biodiversity	- Introduce green space management contracts with clauses to limit our impact on biodiversity. Ban the use of pesticides	Buildings in the scope of reporting with green spaces	2013	0%	100%
	- Earn EcoJardin certification for responsible green space management		2015	0%	0%
Paper use	- Increase the amount of recycled paper to 50% of the total	Head office	2013	6%	100%
	- Reduce paper use by 20% per person		2015	0%	0%
Eco-practices, eco-behaviour and eco-buildings	- Raise employee awareness by distributing the "GreenLetter" twice a quarter	Head office	Ongoing		
Society					
Green leases	- Only sign green leases, regardless of the surface area	Entire portfolio	Ongoing	100%	100%
	- Make existing leases greener by July 2013	Existing leases for properties over 2,000 sq.m	July 2013	0%	51%
Customer participation in the process	- Set up "green" committees for all assets in the portfolio	Entire portfolio	2013	15%	35%
Customer surveys	- Conduct annual customer surveys to improve response rates at each site	Entire portfolio	Ongoing		
Building accessibility for people with reduced mobility	- Audit our buildings	All buildings in the scope of reporting	2012	100%	100%
	- Improve building accessibility		2014		45%
Building accessibility for people with other disabilities	- Audit our buildings	All buildings in the scope of reporting	2012	100%	100%
	- Improve building accessibility for people with other disabilities		2014	20%	20%
Responsible purchasing	- Extend the responsible purchasing strategy across the organisation	Head office	2013	10%	10%
	- Extend the responsible purchasing strategy by including specifications in building management contracts	All buildings in the scope of reporting	2013	100%	100%
	- Strengthen the responsible purchasing strategy by including specifications in works contracts	All buildings under renovation	2013	50%	100%
Management contracts	- In all new management contracts, include clauses requiring measurable reductions in energy use	All buildings in the scope of reporting	2013	50%	100%

1. Human resources

1.1 Human resources policies

In 2013, human resources policies reflected our commitment to a client-focused growth strategy and to engaging employees fully by:

- Promoting an organisation structure that fosters working in teams and project-based practices.
- Continuing to develop a participatory, motivating compensation policy.
- Enhancing employee skills through recruitment and training.

Unchanged in 2013, SFL's organisation structure is built around three areas of expertise.

The Operations Department comprises nearly half of all employees, working in an increasingly complex environment where clients have higher expectations and requirements, regulations are changing, and market rents, the number and volume of transactions and investments are fluctuating sharply. As a result, we cannot offer just a product; we must deliver a customised, seamless, comprehensive package which meets regulatory and environmental standards and is aligned with our overall commitment to creating value. Meeting this standard of excellence taps all the skills available in the department, spanning property and asset management, investment, business development, and technical and marketing activities.

The **Finance Department** includes around 20 employees in charge of preparing the parent and consolidated financial statements, controlling the budget, arranging and optimising financing and managing corporate communication.

Lastly, the **Resources department** oversees all of the Company's legal, human resources, information systems, internal audit and administrative services functions.

1.2 Job management

The workforce experienced significant changes in 2013, as part of a process to align human resources to the business environment, contrasting with relative stability in 2012. We continued to promote professional skills acquisition and enhancement by our teams.
Six new employees joined SFL in 2013. In addition, the sole employee under a work-study contract was hired under a permanent contract.
Ten people left the company over the same period. Three other employees also left on 31 December 2012.

Following these changes, the workforce comprised 74 people at year-end 2013.

Women continue to make up the majority of the workforce, at 60% of the total, and work mainly in management (more than two-thirds of employees are classified as managers).

Average seniority is 10 years and the average age is 44, with 54% of employees aged 45 or more.

In 2013, the Company also used the services of three contract employees for outsourced reception work and IT maintenance.

No redundancy plans were implemented by the Company in 2013.

1.3 Remuneration

The different forms of remuneration offered at SFL include:

- Direct remuneration
  - Salary
  - Bonus
- Employee savings plans
  - Discretionary profit sharing
  - Non-discretionary profit sharing
  - PEE/PERCO savings plans
- Share-based payments
  - Stock options
  - Performance shares
- Other remuneration
  - Private health insurance
  - Time savings accounts
  - Service job vouchers
  - Staff restaurant subsidy

All of these schemes, whether individual or collective, immediate or deferred, are managed with the aim of guaranteeing an attractive, competitive and balanced package which:

- Allows us to attract, motivate and retain staff.
- Aligns remuneration policy with our growth strategy and gives employees a stake in our performance.
- Anticipates and manages changes in the payroll.

Combining a salary and bonuses for everyone, SFL's remuneration system promotes engagement, fosters a culture of teamwork and leverages the different skillsets specific to our businesses. It is a win-win system that balances employee expectations with our objectives and aligns remuneration policy with our growth strategy.

As in 2012, the 2013 pay round resulted in across-the-board raises of around 2%.
Coordinated by the Human Resources Department, the raises involved a review of year-on-year variances in regard to:

- Comparable responsibilities in the same or separate position.
- The principle of equal pay for men and women.
- Market salary data from national or industry surveys.

Bonuses, which play a key role in recognising individual performance and commitment, are calculated based on annual performance reviews and the extent to which individual objectives are met during the year.

In turn, individual objectives are assigned to drive continuous improvement and the achievement of measurable and/or qualitative outcomes. Other than for members of the Management Committee, bonuses may vary from 6% to 25% of salary according to the employee's level of responsibility.

Discretionary and non-discretionary profit sharing schemes are the cornerstone of employee savings plans. They totalled €713,750 in 2013, equivalent to 10% of gross salary paid during the period.

In addition to receiving salaries and bonuses, employees saving for their retirement were able to make tax-advantaged voluntary contributions, matched by SFL, to the PERCO plan and choose from the scheme's five corporate mutual funds. In 2013, 51 employees decided to invest in the PERCO plan. The average matching contribution per participant was €2,850.

Lastly, in March 2013, as part of the plan set up in 2012, performance shares were granted to all employees. Complementing the non-discretionary and discretionary profit-sharing schemes already in place, for the second year in a row the grant reflects SFL's commitment to giving every employee a stake in driving its growth, deploying its strategy and delivering its future performance. Under the plan, employees and corporate officers were granted 52,716 shares that will vest depending on growth in EPRA consolidated net asset value per share versus a reference peer group over the three-year vesting period.

1.4 Working hours

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

Full-time and part-time administrative staff, excluding caretakers, broke down by gender as follows at 31 December 2013:

	Women	Men	Total
Full-time	35	29	64
Part-time	8	–	8

The eight part-time contracts correspond to employees who have chosen to work a reduced number of hours; i.e., the contracts have not been imposed by the employer for organisational or operational reasons. All part-time work requests submitted by employees to improve work-life balance have been met.

Employee absences in 2013 are best understood in light of the employee data presented on page 50 of this report.

1.5 Diversity and equal opportunity

SFL endeavours to prevent discriminatory practices. Specific actions are implemented as described below.

Gender equality

Under the Company-level agreement signed on 16 December 2011, SFL reaffirmed its pledge to uphold the principle of non-discrimination on the basis of gender and its commitment to promoting equal opportunity in the workplace. 2013 was the second full year of application for the agreement, which is designed to ensure both equal opportunity in hiring and equal access to career advancement opportunities, supported by professional training.

Accordingly, the recruitment firms regularly used by SFL were informed of the agreement and the need to comply with its provisions with respect to selecting and identifying candidates. For example, job announcements must be gender neutral, systematically state that both men and women are eligible and only refer to availability requirements where the nature of the position makes this absolutely necessary.
In the same spirit, the 2013 training plan was prepared with the aim of ensuring that women were at least as represented as men among trainees.

As a result of this commitment, three of the six people hired under permanent contracts in 2013 were men and three were women, and 29 women (66% of all female employees) and 19 men (63% of all male employees) received some form of training during the year.

In addition, line managers are reminded each year about the importance of applying the principle of equal pay when they award the pay rises approved during annual pay rounds. The participants in the 2013 pay round noted that the principle of gender equality was being actively applied to hiring, training and promotion practices.

Keeping older employees in work

At 31 December 2013, there were nine employees aged 55 and over, representing 12% of the total workforce. This is in line with the 8%-12% target set for the final year of application of the industry-wide agreement signed in December 2009 in favour of keeping older employees in work.

The disabled

As part of its policy of supporting measures to help the disabled to find work, each year the Group allocates a significant proportion of the amount payable under the apprenticeship tax scheme to ADAPT, a not-for-profit organisation working in this area. In 2013, the Group's contribution amounted to €5,195.

In addition, SFL embraced its role as a corporate citizen by participating, from 18 to 24 November 2013, in the 17th annual Disabled Employment Week organised by ADAPT.

Lastly, given the relative stability of its workforce and low hiring volume, SFL contributed €8,460 to Association de Gestion du Fonds pour l'Insertion Professionnelle des Travailleurs Handicapés (AGEFIPH) in fulfilment of its obligations concerning the employment of disabled workers.

1.6 Training

In 2013, more than 1.50% of total payroll was allocated to training programmes as part of initiatives designed to promote employee skills acquisition and/or development.

Training programmes for 2013 were selected with the following goals in mind:

- To create and nurture conditions in which every employee has access to continuing education.
- To prepare for emerging technical, legal, environmental, safety and other changes in the market, in order to improve employee professionalism and enable them to do their jobs effectively in the best possible conditions.

Over the course of the year, more than 840 hours of training were given to 48 employees in such subjects as asset management, financial management, law, business management, office technology and languages. Some employees in the Risk & Environment and Technical Departments are given dedicated training to lead SFL's environmental strategy.

1.7 Employee relations

SFL's employee representative bodies include a Unified Employee Delegation (Délégation Unique du Personnel) and a Health, Safety and Working Conditions Committee, whose members are regularly informed of and consulted on projects of interest, such as the Group's organisation and operations.

In addition to the usual topics falling within its general remit, the Works Council was consulted in 2013 on the performance share plan, changes to the information system and the creation of a health costs network.

Collective agreements

Under its collective agreements, SFL is not required to give prior notice within a specified time period for changes to its organisation.

Only one collective agreement was signed in 2013, covering the entire SFL workforce.

In addition to the collective bargaining agreements applicable to site staff, caretakers and building employees, SFL employees were covered by the general provisions of the following collective agreements as of 31 December 2013:

- Company-level agreement dated 1 July 1999 and subsequent addenda.
- Company-level agreement dated 31 May 2013 covering the entire SFL workforce.
- SFL Group Non-Discretionary Profit-Sharing Agreement of 20 June 2002 and addenda dated 5 April 2003, 13 April 2005, 27 September 2005, 2 April 2007, 29 February 2008 and 4 May 2012.
- SFL Group Discretionary Profit-Sharing Agreement of 30 June 2011.
- SFL Group PEE Employee Sharesave Plan of 30 September 2002 and addenda dated 21 September 2004, 29 November 2004, 2 April 2007 and 4 May 2012.
- SFL Group Pension Savings Plan (PERCO) of 31 January 2005 and addenda dated 21 December 2006, 2 April 2007, 12 December 2007 and 3 July 2012.
- Workplace Gender Equality Agreement dated 16 December 2011.

1.8 Health and safety

The role of the Health, Safety and Working Conditions Committee, whose three members were reappointed in 2013, is to contribute to improving employee health, safety and working conditions.

In 2013, the recommendations of the updated unified occupational risks report were implemented. Required under French law, the report identifies health and safety threats and the prevention measures to be improved or introduced to eliminate or attenuate each one. The main initiatives were an information session on workstation ergonomics and the creation of a working group to help introduce a psychosocial risk factor prevention process in coordination with French occupational medicine association ACMS.

In addition, as is the case every year, employees responsible for coordinating evacuation procedures in the event of a fire attended fire prevention classes and drills in 2013.

As part of its remit, the Health, Safety and Working Conditions Committee set up a working group to examine psychosocial risk factors. No agreement has been signed to date, because the study has not been completed.

1.9 Employee relations indicators

The following employee relations indicators are provided in compliance with the applicable regulations concerning corporate social and environmental responsibility.

In addition to compliance, these indicators reflect our goal of communicating transparently and objectively on the initiatives that most compellingly attest to our ongoing commitment to corporate social and environmental responsibility.

Aspect		Scope		GRI 3.1	2011	2012	2013
Social: labour practices and decent work							
Employment							
Total employee numbers by type of contract (fixed-term/permanent), gender, category, age group and location	**Total employees**	SFL Group	BASE	LA1	83	81	74
	Permanent contract				83	80	73
	Fixed-term contract				0	1	1
	Men				32	30	30
	Women				51	51	44
	Supervisors				53	54	52
	Managers				14	13	11
	Administrative employees				16	14	11
	Under 45				37	36	34
	Aged 45 or over				46	45	40
	Paris				83	81	74
	Other				0	0	0
New hires by type of contract, gender, category, and age group	**New hires**		BASE	LA2			
	Permanent contract				4	2	6
	Fixed-term contract				0	1	1
	Men				2	2	4
	Women				2	1	3
	Managers				3	3	6
	Supervisors				0	0	0
	Administrative employees				1	0	1
	Under 45				4	3	6
	Aged 45 or over				0	0	1
Number of terminations by reason	Personal				2	3	2
	Economic				0	0	0
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Total in € thousands		SUP	LA3	NA	233	714
Labour/management relations							
Percentage of employees covered by collective bargaining agreements		SFL Group	BASE	LA4	100%	100%	100%
Occupational health and safety							
Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs		SFL Group	SUP	LA6	1.2	1.25	2.7
Number of reported and recognised lost-time workplace accidents			BASE	LA7	NA	0	1
Number of working days lost as a result of workplace accidents					NA	1	6
Number of reported and recognised lost-time commuting accidents					NA	0	0
Number of working days lost as a result of commuting accidents					NA	13	20
Accident frequency rate					7.37	7.37	25.95
Accident severity rate					0.79	0.09	0.17
Number of recognised and reported occupational illnesses					0	0	0
Absenteeism							
Illness (in number of working days)					541	986	846
Maternity (in number of working days)					79	256	173
Child illness (in number of working days)					27	30	18
Family events (in number of working days)					28	49	15
Breakdown by gender of the above LA7 indicators					NA	NA	NA
Percentage of the organisation verified to be operating in compliance with the health and safety management system(s)				CRE6	100%	100%	100%

Aspect		Scope	GRI 3.1		2011	2012	2013
Training and education							
Total number of training hours	Hours	SFL Group	BASE	LA10	1,394	1,337	840
By gender	Hours				NA	NA	NA
By category	Hours				NA	NA	NA
Percentage of employees receiving regular performance and career development reviews, by gender	Men	SFL Group	SUP	LA12	100%	100%	100%
	Women				100%	100%	100%
Society and human rights							
Investment and procurement practices							
Percentage of significant suppliers, contractors, and other business that have undergone human rights screening, and actions taken		SFL Group	BASE	HR2	NA	NA	100%
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		SFL Group	SUP	HR3	0	0	0
Non-discrimination							
Total number of incidents of discrimination and corrective actions taken		SFL Group	BASE	HR4	0	0	0
Assessment							
Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments		SFL Group	BASE	HR10	0	0	0
Remediation							
Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms		SFL Group	BASE	HR11	0	0	0

NA Not Available.

2. Environment

2.1 Environmental strategy

SFL's property portfolio is comprised solely of Paris properties that have the low-carbon advantage of being within easy reach of public transport, while contributing to urban heritage conservation. Our head office is located at 40 rue Washington in the 8th *arrondissement*. This is consistent with our environmental strategy, which is based on the strong belief that **offering properties with the market's smallest environmental footprint is a way of demonstrating our commitment to ensuring the quality of life for present and future generations**.

Reflecting this belief, our environmental strategy is built around certain core objectives:

- Reduce our energy and carbon footprint.
- Improve users' well-being and healthfulness and manage risks.
- Re-introduce biodiversity.
- Protect non-renewable resources.
- Reduce and recycle waste.
- Mitigate the impact of redevelopment and renovations.
- Earn certification for the entire portfolio and our environmental management system.

To further this ambition, we are constantly reinventing the portfolio in response to our clients' CSR expectations and their need to comply with both the Grenelle II environmental recommendations and international standards.

To this end, renovations are carefully planned to ensure that buildings:

- Have a small carbon footprint and meet the market's highest emissions standards.
- Improve users' healthfulness and well-being.
- Meet high energy efficiency building standards and already comply with future building HVAC regulations.
- Provide work spaces that meet the criteria and objectives of the Grenelle II and Global Reporting Initiative (GRI/CRESS) international guidelines and the recommendations of the European Public Real Estate Association (EPRA).
- Deliver lasting technical and energy performance.
- Re-introduce biodiversity to the urban landscape.
- Limit the use of non-renewable resources.
- Provide waste sorting and recycling solutions.

In line with this strategy, SFL systematically requests certification to benchmark standards for all of its buildings, both under renovation (HQE®, BREEAM and LEED) and in use (BREEAM In-Use International).

To support this process, awareness-raising campaigns and training programmes are helping to change employee attitudes and upgrade their expertise.

Our client partners are also being gradually involved in continuous improvement programmes, with shared work guidelines for addressing such issues as green leases, environmental addenda, "green" committees, integration into their greenhouse gas emissions reduction plans, certification, and training in eco-practices.

Such collaboration is designed to share with all our stakeholders the soundness of this strategy, which has positioned our portfolio among the best in Europe in terms of the environmental impact of property use by clients.

To effectively deploy this strategy, SFL identified in 2011 a number of sustainable development issues requiring priority attention. In 2013, we continued to deploy and add to the policies and enabling tools introduced to track the relevant pre-defined indicators and thereby reduce our environmental footprint.

In 2013, as in previous years, SFL did not record any provisions or enter into any guarantees for environmental risks.

2.2 Data collection, measurement and reporting procedures

Data collection and reporting procedures

To report data on our buildings' energy use, water use and waste production, proprietary procedures have been developed to standardise the data collection process and to define the contributors and verification methods.

They also describe the applicable standards, notably article 225 of the French Act of 12 July 2010 ("Grenelle II"), the Global Reporting Initiative (GRI 3.1) and CRESS supplement, and the EPRA's recommendations. We were unable to apply GRI 4.0, which was released too late in the year to be incorporated into our reporting schedule. We may, however, implement it in the coming calendar year.

Lastly, they define the scope of reporting.

Reporting period

The audit covers the full calendar year, with three years (2011-2013) of comparative data. Note that comparative information for the head office is presented only from 2011, when it was first included in the programme.

Scope of reporting

SFL's portfolio comprises 18 buildings, representing a total non-weighted average useful surface area of 369,334 square metres. The eleven buildings included in the scope of reporting are multi-tenant properties with significantly high occupancy rates (over 60%).
The scope of reporting does not include single-tenant buildings, buildings being vacated for future renovation, buildings under renovation and residential space.
The buildings concerned are as follows:

- 1. 176 Charles-de-Gaulle, Neuilly-sur-Seine
- 2. 96 Iéna Paris 75016
- 3. Ilôt Édouard VII Paris 75009
- 4. 112 Wagram Paris 75017
- 5. Rives de Seine Paris 75012
- 6. LDE/LDA, 151 rue Saint-Honoré Paris 75008
- 7. 103 Grenelle Paris 75007
- 8. Cézanne Saint-Honoré Paris 75008
- 9. Washington Plaza Paris 75008
- 10. Galerie des Champs-Élysées Paris 75008
- 11. Ozone, 92 avenue des Champs-Élysées Paris 75008

The scope of reporting (excluding residential space) represents 68% of the total surface area of our entire residential, retail and office property portfolio.

Changes in the scope of reporting

The number of buildings covered by our audits may increase as a result of acquisitions and the delivery of renovated buildings that are at least 60% let and have been in use for at least one full year.

In 2013, the Galerie des Champs-Élysées (82/88, avenue des Champs-Élysées) and Ozone (92 avenue des Champs-Élysées) properties in the eighth arrondissement of Paris were added to the scope of reporting in line with these criteria.

The number may decrease to reflect sales, buildings that are less than 60% let due to tenant departures and buildings scheduled for imminent renovation or under renovation.

In line with these criteria, the building occupied by the Mandarin Oriental Paris Hotel at 247 rue Saint-Honoré in the first arrondissement of Paris was removed from the scope of reporting after it was sold.

Standard surface area measure and occupancy rate

The standard measure used to calculate building energy use intensity is the non-weighted average useful surface area of the property, expressed in square metres. Occupancy rates are reported at the end of the calendar year and reflect the actual occupancy rate of each building spread over the year.

Energy

Energy data from meter readings and property manager invoices (before tax and subscription fees) is collected and consolidated for each building before being included in the overall scope of reporting.

When a building's total energy use is unknown, in particular where private areas are concerned, the total is calculated by estimating energy use per unit based on the type of heating and cooling systems used by the tenant.

These estimates, which give a clearer picture of actual use and vary by building, are determined in partnership with an experienced energy analysis agency.

In some cases, tenant energy use may reflect only the electricity used by office equipment because heating and air conditioning systems are centralised, as at 176 Charles-de-Gaulle in Neuilly-sur-Seine.

Our estimates are replaced with actual tenant data as soon they are collected.

The increase or decrease in energy use by properties in the scope of reporting is determined in relation to a baseline year: 2011 for properties audited since 2011, 2012 for properties added to the scope of reporting that year, and so forth.

The comparison between the baseline year and the year considered factors in climate variability using unified degree days (base 18°C) over the previous two years.

In our audits of energy use, the baseline year is determined by the year the property is added to our scope of reporting.

The table below gives the baseline year for each building:

Building	Baseline year
LDE LDA	2011
96 Iéna	2011
176 CDG	2011
Washington Plaza	2011
Édouard VII	2011
Rives de Seine	2011
Paul Cézanne	2011
103 Grenelle	2011
112 Wagram	2012
Ozone	2013
Galerie des Champs-Élysées	2013

Water use

The method used to measure water use is more straightforward, as each property is supplied by a single water source. Data are collected by either reading water meters or consolidating invoices.

Waste

Waste tonnage presented in the report is determined based on waste monitoring reports for the buildings, reports provided by service providers and daily weighings for the head office.

2.3. Energy efficiency and carbon footprint

2.3.1. Solutions implemented

As part of our ongoing commitment to shrink our climate change footprint, we are implementing a strategy intended to reduce our net energy bill. To help us do this, we asked an energy analysis agency to audit and improve the performance of 10 properties in the scope of reporting with baseline years prior to 2013. The audit was designed to:

- Establish the energy performance and carbon footprint of the buildings.
- Prepare short- and medium-term action plans to scale back energy use, consistent with the payback periods.

The energy audits of individual buildings usually highlight similar pathways to improvement, such as:

- Overhauling building management system (BMS) functional analyses to more accurately reflect how technical installations operate on a day-to-day basis.
- Optimising office and retail space air handling unit (AHU) flow rates to match occupancy.
- Managing lighting more efficiently in parking garages and common areas.

Solutions identified by the audits have been budgeted for and will be deployed in 2014.

Energy efficiency

Managing the portfolio's energy efficiency is a strategy also applied in our two core businesses: renovations and redevelopment and buildings in use.

a. Renovation and redevelopment projects

For major renovation and remodelling projects, SFL deploys a continuously adjusted programme incorporating the latest technologies and applicable construction regulations as part of this strategy to improve buildings or install less energy-intensive equipment.

Our strategy also involves obtaining multiple certifications for major renovation and remodelling projects, setting ambitious minimum requirements under the following standards:

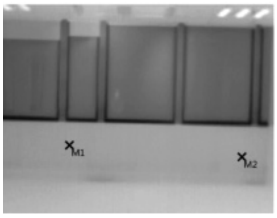
- HQE® Sustainable Building Passport, "Excellent" rating at least.
- BREEAM, "Very Good" rating at least.
- LEED, "Gold" rating at least.

The rating sought for target 4 (Energy Management) of the HQE® standards is "High Efficiency".

SFL also mandates that renovation and remodelling programmes consider construction or technical solutions that will outperform the requirements of the regulations applicable at the time the building permit is filed, currently RT2012 energy efficiency standards. While often more expensive, this helps to conserve the portfolio.

For less major renovations, SFL invests to improve structures whenever necessary. A specific example is adding insulation backed by a performance guarantee, with stringent inspection and verification during installation and subsequent checks using thermal imaging cameras. These requirements are stipulated in the specifications for the prime contractor and sub-contractors.

Below, an example of a thermal imaging camera inspection as part of a minor renovation that involved improving the insulation of the apron walls of a building. The image confirms that there are no gaps in the insulation:



b. Buildings in use

New building management contracts include energy efficiency requirements so that the measurable commitments in SFL's Sustainable Development Report are met.
The Risks & Environment and Operations Departments monitor performance in this area for each building in the scope of reporting and head office on a monthly basis, to ensure that installations are managed efficiently and we remain on course.
Monthly meetings are also held with building managers so that any issues can be discussed, along with solutions and work to be performed to improve the energy footprint of each site.

2.3.2. Investments and energy efficiency

Properties in use

Dedicated budgets are allocated to enhancing the energy efficiency of buildings in use (EN30: environmental protection expenditures and investments). The amounts earmarked are determined by the technical solutions identified during energy audits of buildings in the scope of reporting. The emphasis is on options with a short payback period — often less than two years. The budget allocated for 2014 is €760,000 for buildings in the scope of reporting.

Because solutions produce the desired result so quickly after they are implemented, we should ultimately be able to meet our commitments in terms of reducing energy use in the scope of reporting.

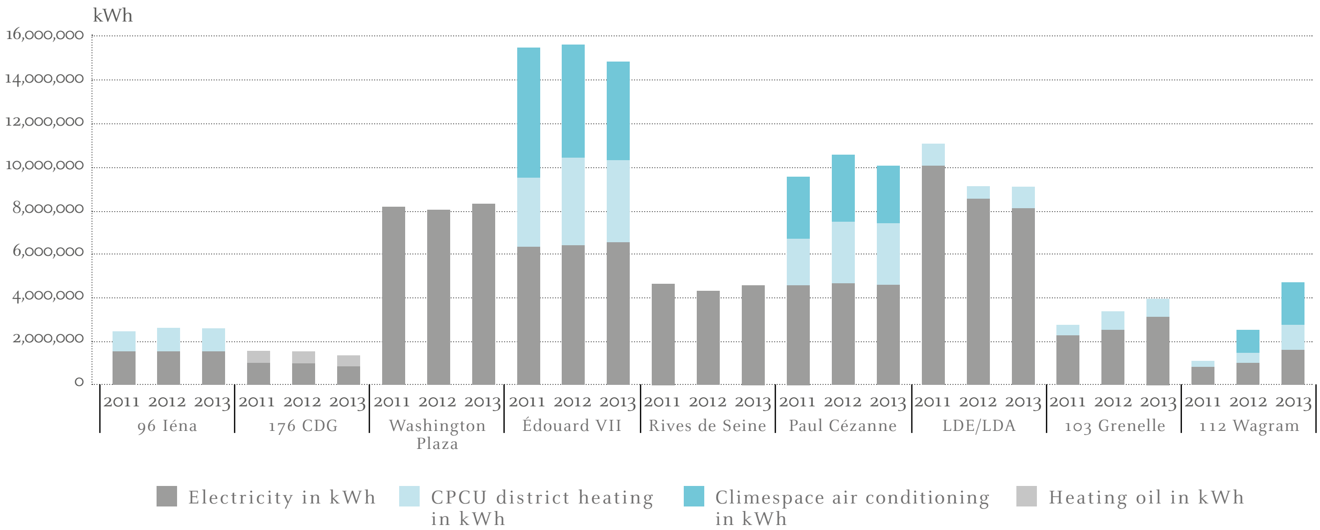
Buildings under renovation

SFL invests significantly during renovations to stay ahead of building energy efficiency standards and earn the highest level of environmental certification. This approach not only improves energy efficiency, reflected in low use, but also addresses technical obsolescence.
For example, the In/Out building in Boulogne, delivered in late 2013 after renovation, has earned certification equivalent to a Low-Energy Consumption Building (BBC) rating for new buildings.

2.3.3 Energy use, 2011 to 2013

In addition to the usual monitoring of the energy efficiency of individual buildings, an analysis was performed to consolidate the energy use intensity.

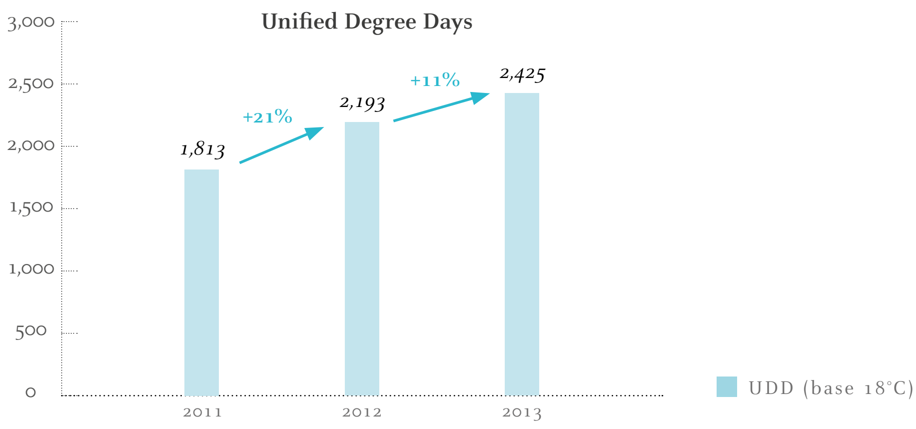
Building energy use reported in 2011, 2012 and 2013



Energy efficiency expressed as a consolidated percentage has been calculated for each period since 2011, factoring in building occupancy rates and weather conditions for the baseline year.

Unified degree days (base 18°C) are used to estimate heating use in line with how cold winter temperatures are.

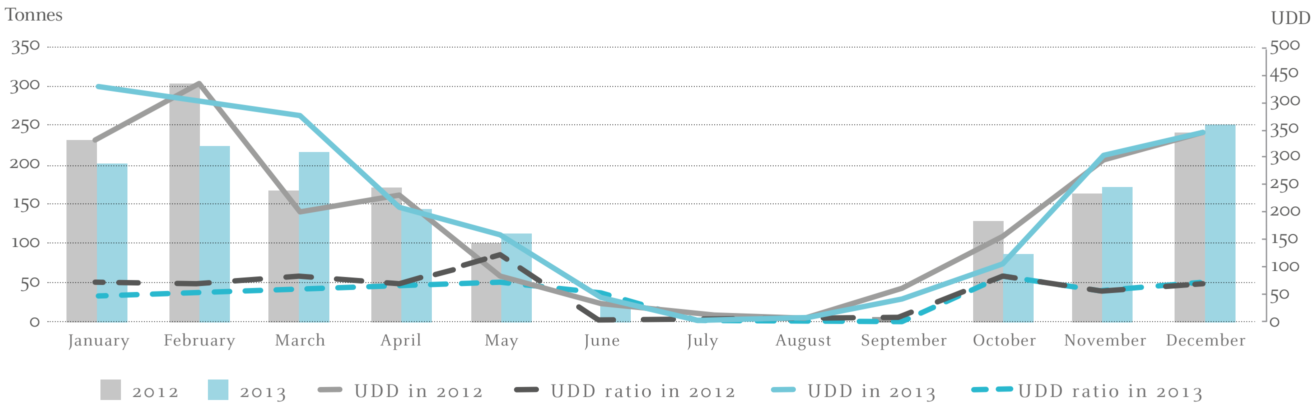
Variation in climate conditions over the past three years



The bar chart shows that heating requirements have increased each year, with 2013 much colder than 2011.

An analysis of use compared to UDD (base 18°C) shows that technical installations were managed efficiently.

Energy use intensity



An example of how heating is managed in line with changes in weather (96 Iéna building): site use (tonnes of CPCU district heating steam) must match the UDD curve.

Final energy use determined by weather conditions — in other words, for heating and air conditioning — decreased 10% between the baseline year for the buildings and calendar 2013. In 2011, SFL undertook to reduce use within the scope of reporting for that year by 15% by 2014.

Total energy use, all purposes combined, averaged 268 kWh of final energy per square metre per year for the 2011 scope of reporting, which comprised eight buildings.

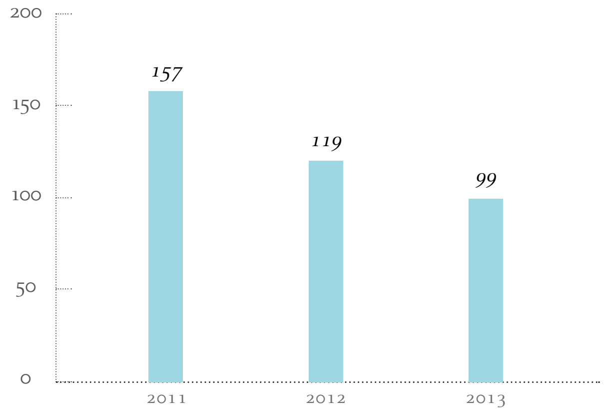
The following table provides a building-by-building breakdown of energy use in the scope of reporting, expressed in kWh of final energy per square metre per year. 2013 energy use has been adjusted to take into account weather conditions in the baseline year (the year the building entered the scope of reporting). The improvement reflects the change between the baseline year and calendar 2013, or an overall decrease in energy use of 10%.

Building	Baseline Year	Baseline use* kWh/sq.m./year	2013 use kWh/sq.m./year	Improvement
LDE LDA	2011	42.8	38.0	-11%
Paul Cézanne	2011	174.2	185.4	+6%
96 Iéna	2011	110.2	96.4	-13%
Rives de Seine	2011	73.4	65.7	-11%
Édouard VII	2011	196.2	180.8	-8%
103 Grenelle	2011	101.6	70.2	-31%
Washington Plaza	2011	63.7	49.2	-23%
176 CDG	2011	121.1	100.0	-17%
Total weighted average		111.9	101.2	-10%

* Variable component of total energy use (heating and air conditioning).

Energy use also declined at the head office, as the best practices and eco-friendly behaviour shared internally by the Risks & Environment Department begin to produce results. In fact, energy use at the head office (private areas only) was down by around 23% in 2013 from 2011, with an annual ratio of 99 [kWh of final energy per square metre per year].

SFL head office electricity use



2.3.4. Greenhouse gas emissions

Reducing greenhouse gas emissions to abate and adjust to climate change represents a major challenge for SFL. We are deploying extensive resources to affirm our European and global leadership in terms of our portfolio's carbon footprint.

In managing our assets, we have to take into account the potential medium-term impact of higher resource and energy costs and insurance premiums. While the location of our assets tends to limit the likelihood of their being affected by extreme scenarios, we are proactively managing these risks by improving our buildings' energy efficiency and carbon intensity.

In this way, we are committed to meeting two objectives:

1 – Measure our emissions and transparently inform stakeholders about SFL's carbon footprint, measurement methods and results.
2 – Reduce our impact and demonstrate the performance of our buildings and the effectiveness of our continuous improvement process. This will offer clients the guarantee that their offices use less energy, with the smallest possible environmental and carbon footprint.

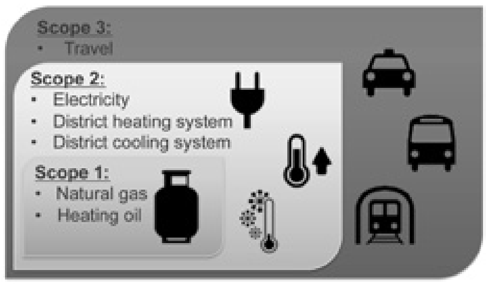
As part of this process, a comprehensive carbon audit has been conducted for the last three years.

2.3.4.1. Methodology

This methodology reflects, across the broadest possible spectrum, the integration of energy issues into our strategy. In the case of indirect (Scope 1) and direct (Scope 2) emissions, as defined by the Greenhouse Gas (GHG) Protocol, this naturally entails the systematic monitoring of energy used in both the common and the private areas of our buildings.

The methodology also includes work-related travel emissions (Scope 3 – Other indirect emissions), as our buildings cannot be used without the daily commute of the people working there.

Categories of greenhouse gas emissions from an in-use asset

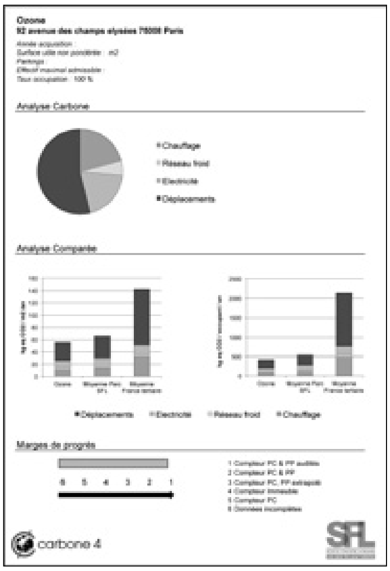


To measure and manage improvements in performance, SFL has deployed, building by building, an analysis programme based on a detailed, structured and transparent methodology corresponding to Version 7.1 of the Bilan Carbone® carbon audit method developed by the French Environment and Energy Management Agency (ADEME).

The findings have been used to create a “Carbon ID Card” for each asset, which makes it possible to gauge the quality of key reported data and to keep our clients informed about the asset’s performance relative to market standards.

This methodology has three major strengths:

- It highlights pathways to improvement that allow us to commit to energy and water use reduction targets. To enhance this process, an energy audit is now being performed for all buildings in the 2013 scope of reporting.
- It has enabled the creation of an internal database to identify and apply best practices for reducing energy and water use.
- It is also immediately applicable to each new property added to the portfolio.



Example of a Carbon ID Card
The card shows emissions by category, total volumes emitted, emissions compared with the portfolio average and an indicator of data collection performance.

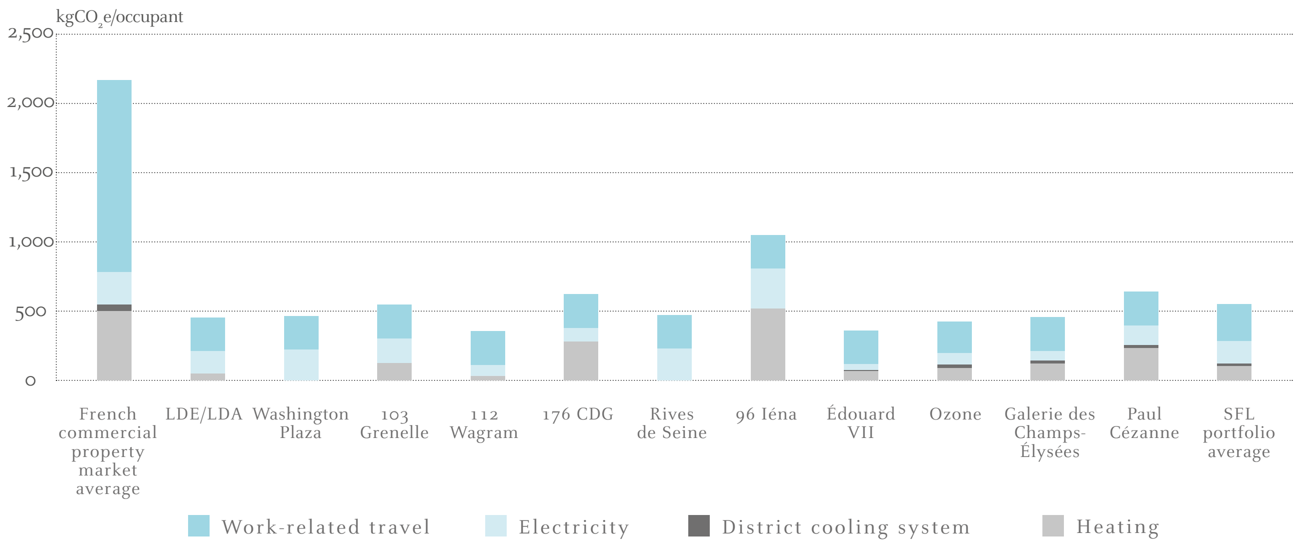
2.3.4.2. Carbon audits of properties in use

In 2013, a thorough carbon audit was performed on the eleven buildings in the scope of reporting. Work-related travel emissions (Scope 3) data were compiled based on a survey of all our clients.

The findings confirmed that SFL’s assets offer one of the world’s smallest carbon footprints, with average emissions of **30 kg CO_2e/sq.m./year**, excluding work-related travel, and of **66.5 kg CO_2e/sq.m./year** including work-related travel, compared with an average for the French market of around 143 kg CO_2e/sq.m./year including work-related travel (Source: ADEME) and a US average that is nearly six times higher including work-related travel (Source: University of Strathclyde).

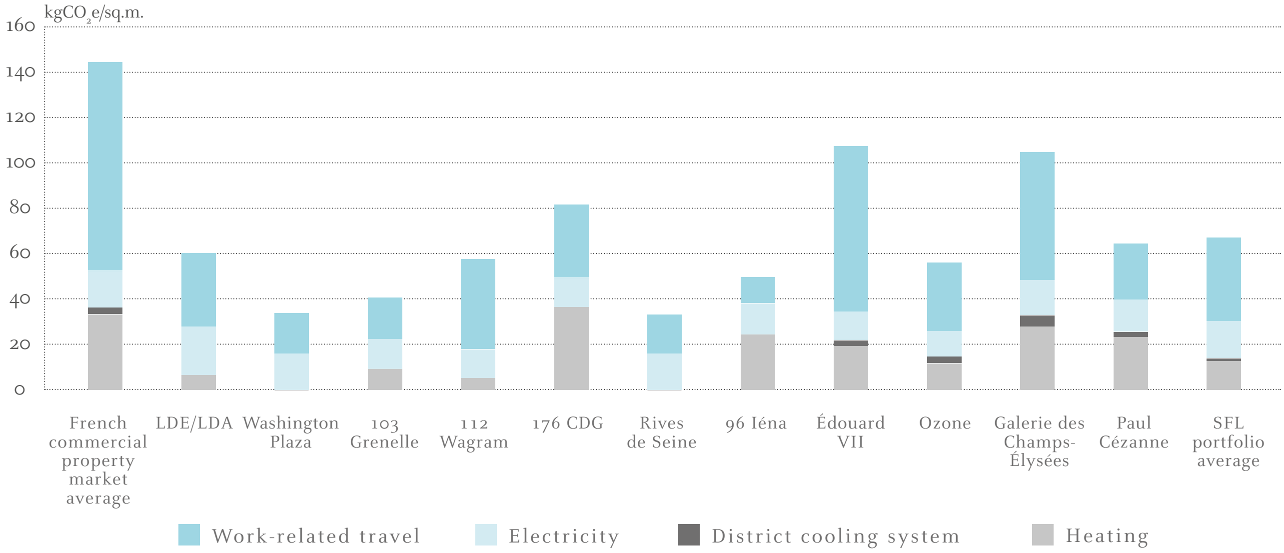
The chart below presents comparative data on each asset alongside data for the French commercial property market. SFL’s assets clearly perform very well compared with the national average.

Carbon emissions per occupant



The same data presented on a per-surface area basis confirms the excellent performance of our office buildings.

Carbon emissions per square metre



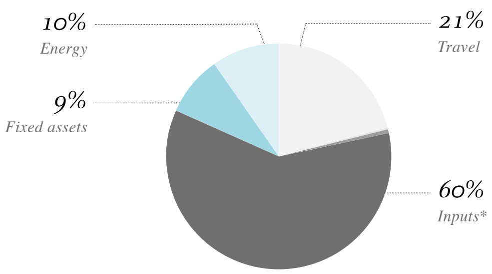
2.3.4.3. Head office carbon audit

The carbon footprint of SFL's head office, classified as commercial property, has also been audited, in all three scopes. This audit will be updated every three years, with the next one scheduled for 2015.

The Risks & Environment Department gathered commuting and business travel data by surveying the entire workforce as well as visitors.

In all, the head office carbon footprint amounted to **5.6 t CO_2e/employee/year**, or half the per-employee average for the French commercial property market (according to government statistics and ADEME). The steady decline in energy use since 2011 will further shrink this footprint.

Head office carbon footprint by emissions source



* Inputs include: paper, screens, CPUs, switchboards, banking services, fees, expense reports, telephone, Internet, other consumables, advertising/media plan, subscriptions, books, etc.

2.4. Ozone-depleting substances

SFL took early action to eliminate HCFC-22 (R-22) and other potentially ozone-depleting coolants from its air conditioning systems. To date, R-22 has been phased out across 95% of the property portfolio. The zero-R22 target will be met in 2014 when the only cooling unit still using the chemical (about 130 kg) is replaced.
The rest of the air conditioning units in the portfolio run exclusively on R134a, R407c, R410a and R422D – representing a total of 3,030 kg – or rely on the Climespace urban cooling system.

2.5. Re-introducing biodiversity to our portfolio

2.5.1. Our commitment

We have been integrating managed re-introduction of biodiversity, both at properties in use and as part of renovation and remodelling projects in Paris, into our strategy for the last several years. Plant material in urban environments offers significant potential for improving the living environment and well-being of city dwellers, in areas such as rainwater management, urban heat island reduction, biodiversity, insulation and air quality.
This commitment is our response to France's Grenelle II environmental regulations, a key component of which is a "green corridor" aimed at re-establishing a consistent ecological system and safeguarding biodiversity. We will be creating discontinuous green patches that help wildlife circulate among the larger city parks.

2.5.2. Overall environmental assessment of the portfolio

At a practical level, biodiversity is built into in our sustainable development process in a variety of ways:

– A holistic process has been undertaken to assess the direct and indirect impacts of our operations on biodiversity. In addition, an analysis of our property portfolio according to GRI EN11/13/15 and 25 criteria was commissioned, supported by a strategic analysis of EN12 and EN14 indicators.

  GRI Indicators

  EN11: Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

  EN12: Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

  EN13: Habitats protected or restored.

  EN14: Strategies, current actions, and future plans for managing impacts on biodiversity.

  EN15: Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

  EN25: Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.

Results of the EN11, EN13, EN15 and EN25 analysis showed that the eleven buildings in the scope of reporting are all more than 2 kilometres away from a protected area or environmental preserve, and do not pose a direct threat to rare species, protected habitats or wetlands.

– Following these studies, a general ban on using pesticides in green spaces was introduced. This initiative comes well ahead of the recommendations by the French Environment Industry under its Ecophyto 2018 Plan.

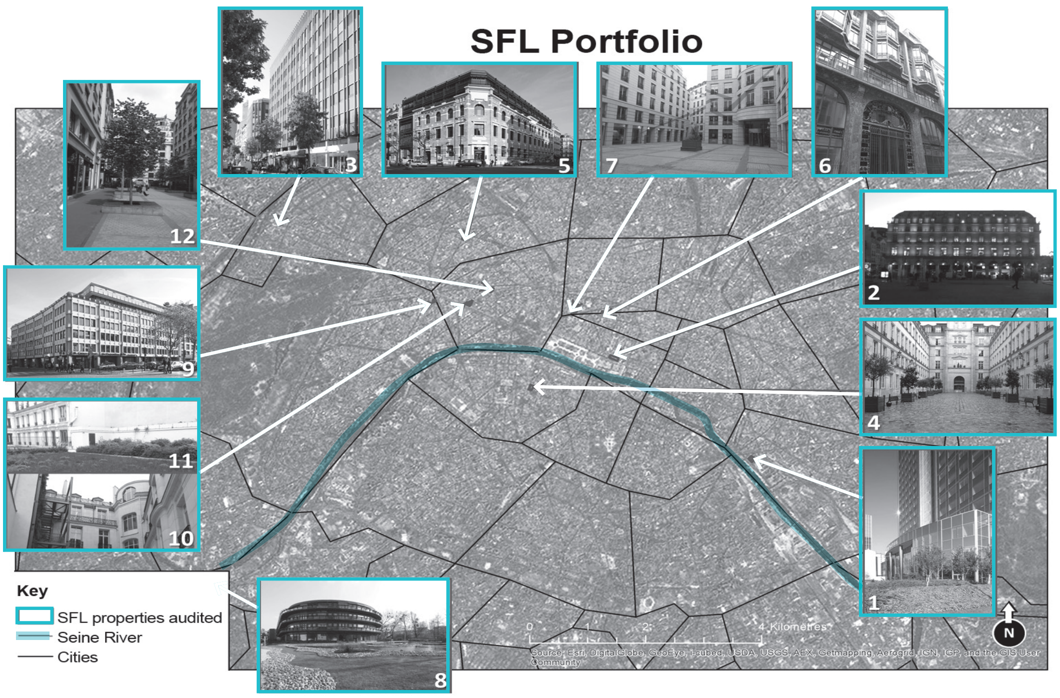
– Lastly, all SFL buildings undergo ecological audits to identify how their ecological potential can be increased. These studies meet the requirements of the BREEAM In-Use standards and produce biodiversity recommendations appropriate to the site audited.

Ecological audits consist of:

- A survey of the site's regional and local environmental context (nearby protected areas and environmental preserves, status of the surroundings, etc.).
- An inventory of the site habitats (with or without vegetation).

An action plan has been developed to fully develop the potential of our sites. The matrix used to present the initiatives actions evaluates the environmental benefit, the benefits of educating users and the public, and the cost of implementation. The actions to be deployed are directly aligned with the City of Paris's Biodiversity Plan.

In a city as built-up as Paris, continuity between green spaces can be strengthened by "Japanese steps". The City of Paris has 3.7 hectares of green roofs, according to the Paris Biodiversity Observatory. Paris would like to see this nearly double to 7 hectares in 2020. Accordingly, all free areas at SFL sites were studied to assess their potential for revegetation and green roofs and living walls.



Location of the audited properties

The audits primarily covered the potential impacts on the following plant and animal species:
– Plants: species present, native, invasive.
– Birds: presence in the neighbourhood and on the site, what is done to attract and protect them on the site.
– Bats: presence in the neighbourhood, what is done to attract and protect them on the site.
– Insects: presence in the neighbourhood and on the site, how what is done to attract and protect them on the site.
– Other mammals: presence in the neighbourhood and on the site, what is done to attract and protect them on the site.

Level	Objectives	Actions
Plants	Increase the percentage of the site covered by plants	Measure 5: Re-introduce native species of ecological benefit
	Encourage the planting of multistratose species	Measure 7: Plant climbing plants near walls
	Increase interactions between plant materials and wildlife (birds, insects, bats)	Measures 1, 2, 3 and 4: Introduce environmental management of the site
Birds	Encourage the presence of certain species declining at the national level	Measure 8: Install birdhouses and nesting boxes
	Make the site more attractive to birds	Measure 5: Re-introduce native species of ecological benefit
		Measures 1, 2, 3 and 4: Introduce environmental management of the site
Bats	Develop and/or strengthen the use of the site by the common pipistrelle	Measure: Install bat houses
		Measures 1, 2, 3 and 4: Introduce environmental management of the site
Insects	Increase the abundance of the species present	Measure 9: Install an insect hotel
	Increase the diversity of species	Measure 5: Re-introduce native species of ecological benefit
		Measure 6: Use managed and selective flowering
		Measures 1, 2, 3 and 4: Introduce environmental management of the site

Management initiative

Our goals concerning plants are to:
– Revegete (plantings and green roofs or living walls).
– Diversify habitats.
– Recommend local species appropriate to the site.
– Promote plants that host animal species found in the environment.

For birds, the ecological audit aimed to:
– Promote nesting by local species that are declining at the national level.
– Increase the number of birds attracted to the site.

The common species of bats prefer Paris attics or bridges. Installation of bat houses was recommended for the few sites that attracted them.
For insects, sites and their attractiveness were studied to:

- Provide linking spaces.
- Encourage colonisation by pollinators.
- Increase the diversity of species.

The audits also identified SFL sites that could potentially meet EcoJardin® certification standards for responsible management of green spaces of any kind.

Four buildings with vegetation offer access to users:

- In/Out.
- Le Vaisseau.
- Rives de Seine.
- 90 Champs-Élysées.

The management system used for the EcoJardin® certification process covers eight main themes:

- Site planning and integration.
- Soil.
- Water.
- Plants and wildlife.
- Equipment and materials.
- Machinery.
- Training.
- Occupants.

EcoJardin
La référence de gestion écologique

EcoJardin® is supported by NatureParif, the nature and biodiversity agency for the Ile-de-France region, and was created by Plante & Cité, the Centre for Landscape and Urban Horticulture. Certification has been awarded to more than 140 green spaces.

Leveraging BREEAM In-Use certification
As already mentioned, incorporating biodiversity in our strategy also allows us to improve the BREEAM In-Use rating of properties. The audits and action plan have spurred new goals for 2014:

- Implement the recommended actions.
- Measure the decline in the impact on biodiversity at our sites.

2.6. Water-saving strategy

2.6.1. Water management objectives and strategy

Water, a central concern at SFL
Water is abundantly available and inexpensive in France. Nonetheless, SFL proactively deploys a strategy of conserving this non-renewable resource, by installing water-saving technologies on all outlets and harvesting rainwater.

SFL buildings are supplied exclusively by the Paris water distribution system. Extracted from aquifers and rivers, the water is purified and then transferred as drinking water to end-user locations. None of our sites lift water from vulnerable sources.

Properties in use
In 2011, we pledged to reduce water use in the scope of reporting by 10% by 2013.

This target has in fact been exceeded, with consolidated water use in the scope of reporting down nearly 15%.

Our policy is to install water-saving technologies on all outlets in both common areas and vacant private units. We have now proactively extended it to occupied private units, with the agreement of clients with whom the issue has been discussed at "green" committee meetings.

Educating our stakeholders allowed us to install water-saving solutions on all private unit outlets at the 103 Grenelle property in the seventh arrondissement and the 112 Wagram property in the seventeenth arrondissement in 2013.

Today, nearly 1,500 outlets have been equipped with technical solutions that reduce water use.

At the same time, water use by properties under management has been monitored monthly since 2010, enabling SFL to respond quickly to any abnormal peaks.

Monitoring will be improved in 2014 and 2015, and equipment to detect leaks will be installed where this is not already the case.

Renovation and remodelling
When renovating or remodelling assets, we apply the most stringent water use standard: the LEED requirement limiting faucet flow to 1.7 litres per minute and dual-flush toilet tank capacity to 2 to 4 litres.

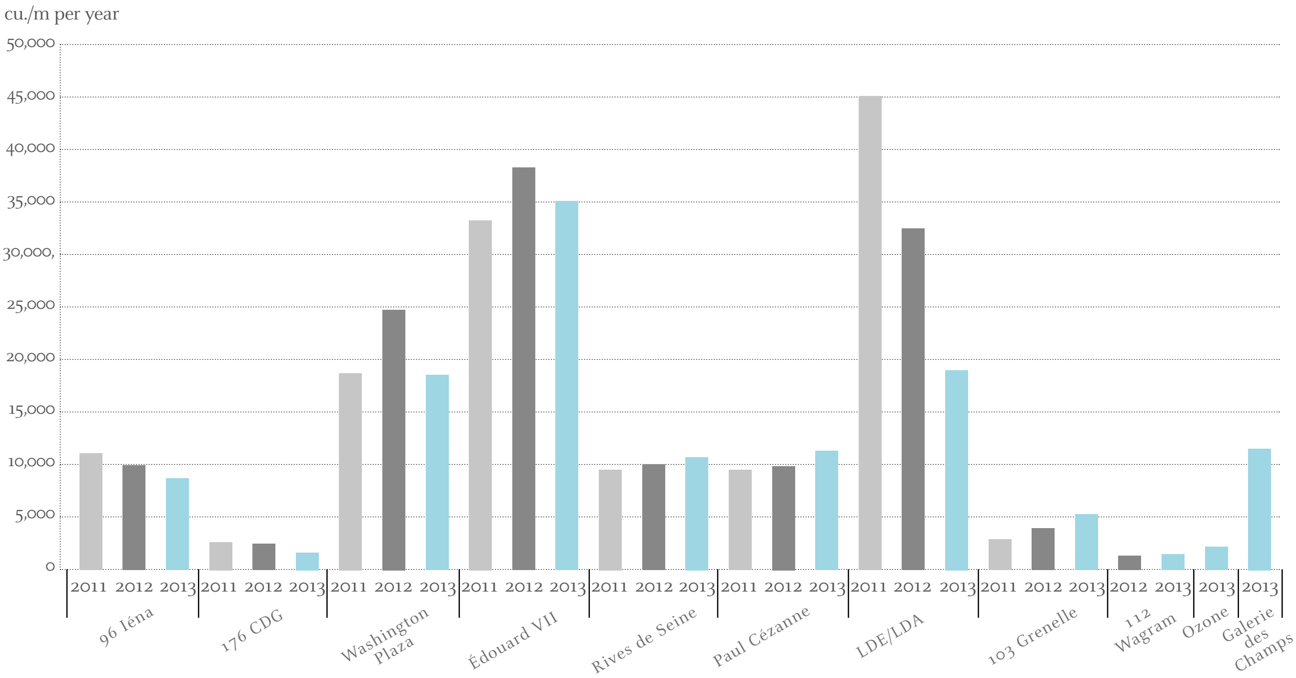
At the head office

At the head office, all of the water outlets and restrooms have been equipped with the same water-saving technologies installed in portfolio properties, so that water use is expected to decline by roughly 20%. There are no water meters, meaning that this indicator could not be tracked in 2013. Work is underway to remedy this.

2.6.2. Water use, 2011 to 2013

The bar chart below shows that water use has declined significantly at sites equipped with water-saving solutions, such as our LDE/LDA and Washington Plaza buildings:

Building water use in cubic meters per year in 2011, 2012 and 2013



2.6.3. Harvesting rainwater

Green spaces need to be watered. Rainwater can be harvested for this purpose, offering the added bonus of managing and even reducing a building's water use.

Following their renovation, the In/Out building in Boulogne-Billancourt and the #Cloud property in Paris will harvest rainwater and store the resulting 88,000 litres on-site to water their green spaces or roof. This has two advantages: i) it helps to reduce drinking water use and ii) it lowers the cost of primary water treatment prior to network distribution.

The Washington Plaza building, which houses SFL's head office, is being redesigned. It will be equipped with a rainwater harvesting system that will be used to maintain the green spaces created as part of the project. With 17 cubic metres of storage in the basements, the system will meet the annual needs of these new spaces.

When technically feasible, rainwater harvesting systems are routinely installed to meet plant watering needs.

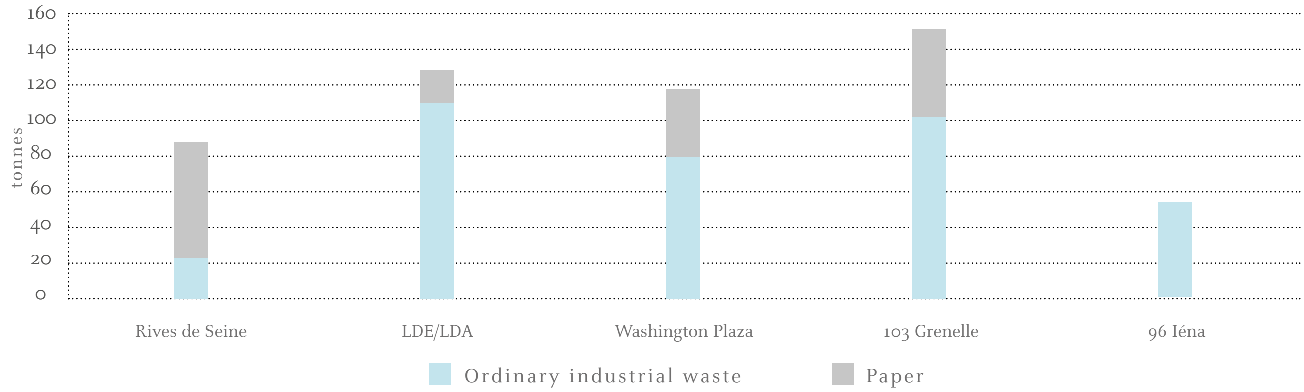
2.7. Reducing waste

2.7.1. In the scope of reporting

In 2011, it was decided to begin deploying a waste sorting system across the scope of reporting in 2013.

All buildings under management have now been equipped to sort at least three types of waste. Many tenants have embraced the spirit of the initiative by setting up systems for sorting waste at source. However, the process varies from one tenant to another. The "green" committee serves as a driver for buy-in by increasing tenant awareness. Its input can reduce the cost of introducing sorting systems, a financial consideration that can influence tenant decisions in the current lacklustre economy.
The total amount of waste produced by type and disposal method is still often difficult to determine. In 2013, this indicator was tracked more closely to develop a clearer understanding of how much non-hazardous and paper waste is generated by each site. We are currently monitoring waste production at five sites in the scope of reporting and looking at ways to collect these data for all properties under management.

2013 waste reporting



No hazardous waste requiring special disposal was generated. Waste from office activities consists of paper and ordinary industrial waste only. The paper is recycled. The ordinary industrial waste is recycled and converted to energy in dedicated plants.

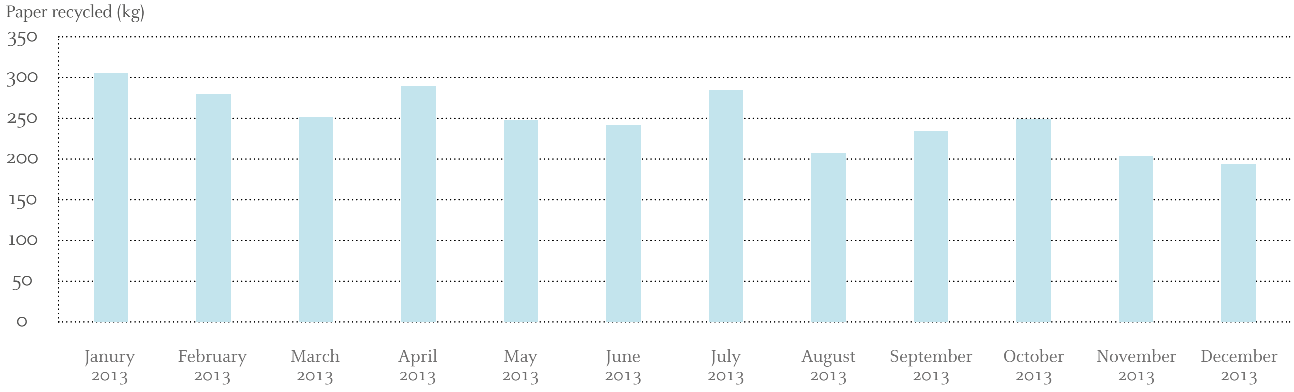
2.7.2. At the head office

Many initiatives are underway to reduce and sort the waste generated by head office activities.

Waste sorting

Each workstation and conference room has a two-compartment waste bin allowing users to sort paper waste to enable its recycling and reuse. Thanks to this system, all of the paper waste was recycled in 2013, representing three tonnes of paper, based on daily weighings. Waste per employee totalled roughly 40 kilograms during the year. By comparison, the paper recycling rate in France averaged just 35%, according to a guide published by ADEME in 2012.

SFL monthly weighings – Paper recycling



Batteries
A used battery collection bin has been installed at the head office to collect batteries for proper disposal. 22 kg of batteries have been collected.

Toner cartridges
The head office also has a collection bin for used ink cartridges from individual printers and photocopiers, as well as for the photocopiers' used ink hoppers.

Waste electrical and electronic equipment (WEEE)
Waste electrical and electronic equipment collected by SFL includes used cell phones and calculators, as well as any worn-out or defective electronic equipment. Given that our IT hardware is leased, we are not responsible for its recovery or reuse. However, we have now arranged for obsolete hardware to be collected and disassembled by Ecologic-France, an accredited environmental organisation dedicated to WEEE recycling. With this initiative, 220 kg of WEEE has been collected.

2.8. Certification

2.8.1. Certification for all buildings in the portfolio

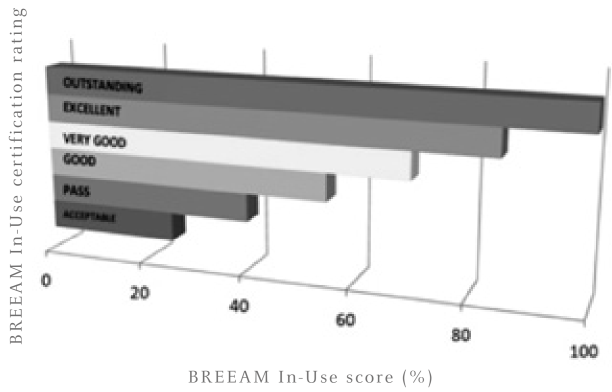
In 2012, we decided to seek BREEAM certification for buildings under renovation or in use, with a target date of 2013 for our entire portfolio.
A method of assessing the environmental performance of buildings, BREEAM comprises two standards: BREEAM Construction and BREEAM In-Use (BIU).

BREEAM certification offers a holistic overview of the overall performance of an asset, which obtains an overall "building" rating. An auditor visits the site, assesses the criteria for each sustainability category (energy, water, waste, materials, pollution, transport, biodiversity, health and management and identifies pathways to improvement.

There are three assessment options available within BREEAM In-Use, each covering a different aspect of performance:
=> Part 1: Asset (the inherent performance characteristics of the building based on its built form, construction and services).
=> Part 2: Building Management (the management policies, procedures and practices related to the operation of the asset).
=> Part 3: Occupier's Management (the understanding and implementation of management policies, procedures and practices, staff engagement, and delivery of key outputs).

The BREEAM In-USE rating system:

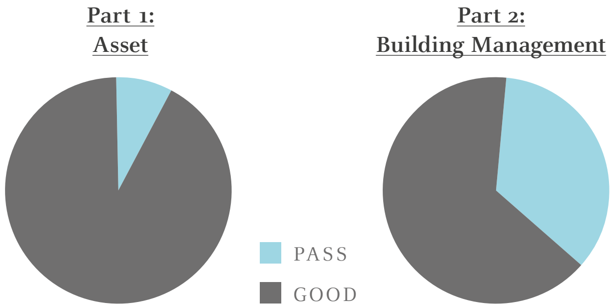
> 85% OUTSTANDING	★★★★★★
> 70% EXCELLENT	★★★★★☆
> 55% VERY GOOD	★★★★☆☆
> 40% GOOD	★★★☆☆☆
> 25% PASS	★★☆☆☆☆
> 10% ACCEPTABLE	★☆☆☆☆☆
< 10% UNCLASSIFIED	☆☆☆☆☆☆



This ambitious commitment has been met. SFL is proud to announce that we are the first commercial property company in the world to have implemented a certification process encompassing the entire portfolio:
– All buildings undergoing redevelopment are certified BREEAM New Construction.
– All buildings in use are certified BREEAM In-Use.

The scores obtained by sustainability category under BREEAM In-Use assessments explicitly identify the main features and amenities of SFL buildings.
In Part 1, alternative transport (72% on average across the portfolio) and waste (78%) obtained the best scores.
Part 2 recognised water management (91% on average) and the quality of security and safety equipment (76%), which obtained the highest scores.

This BREEAM certification strategy and its outcomes demonstrate the engagement and commitment of SFL's teams and our determination to sustainably provide an optimum work environment.



2014 target: improve all ratings to at least "GOOD"

	Building	BREEAM In-Use rating			
1	6 Hanovre	24/12/2013	Part 1 Asset Rating	Pass (31.74%)	★★
2	Ozone	10/07/2013	Part 1 Asset Rating	Good (51.39%)	★★★
3	96 Iéna	08/08/2013	Part 1 Asset Rating Part 2 Building Mgt	Good (41.70%) Pass (30.63%)	★★★ ★★
4	103 Grenelle	05/12/2012	Part 1 Asset rating Part 2 Building Mgt	Good (46.69%) Good (42.70%)	★★★ ★★★
5	104-110 Boulevard Haussmann	08/07/2013	Part 1 Asset Rating	Good (47.25%)	★★★
6	112 Wagram	03/09/2013	Part 1 Asset Rating Part 2 Building Mgt	Good (42.36%) Good (42.94%)	★★★ ★★★
7	131 Wagram	24/07/2013	Part 1 Asset Rating	Good (45.32%)	★★★
8	176 Charles-de-Gaulle	26/07/2013	Part 1 Asset Rating Part 2 Building Mgt	Good (41.66%) Pass (39.05%)	★★★ ★★
9	Édouard VII	19/09/2013	Part 1 Asset Rating Part 2 Building Mgt	Good (40.59%) Pass (31.74%)	★★★ ★★
10	Galerie des Champs-Élysées	24/07/2013	Part 1 Asset Rating Part 2 Building Mgt	Good (42.14%) Good (48.36%)	★★★ ★★★
11	LDE/LDA	06/12/2012	Part 1 Asset Rating Part 2 Building Mgt	Good (45.19%) Good (40.29%)	★★★ ★★★
12	Le Vaisseau	09/07/2013	Part 1 Asset Rating Part 2 Building Mgt Part 3 Occupier's Mgt	Good (42.93%) Good (42.40%) Good (52.81%)	★★★ ★★★ ★★★
13	Cézanne Saint-Honoré	27/11/2012	Part 1 Asset Rating Part 2 Building Mgt	Good (45.29%) Pass (31.70%)	★★★ ★★
14	Rives de Seine	03/09/2013	Part 1 Asset Rating Part 2 Building Mgt	Good (40.49%) Good (40.02%)	★★★ ★★★
15	Washington Plaza	08/08/2013	Part 1 Asset Rating Part 2 Building Mgt Part 3 Occupier's Mgt	Good (44.78%) Good (50.58%) Very Good (68.53%)	★★★ ★★★ ★★★★

At 31 December 2013 SFL owned six prime properties under redevelopment certified to environmental quality standards, as follows:
- 103 Grenelle Paris 75007, HQE®-certified for the planning, design and construction phases.
- 92 Champs Elysées Paris 75008, HQE®-certified for the planning and design phase.
- 112 Wagram Paris 75017, HQE®-certified for the planning, design and construction phases.
- In/Out Boulogne Billancourt 92100, HQE®-certified for the planning and design phase and seeking BREEAM and LEED certification for the construction phase.
- #Cloud Paris 75002, HQE®-certified for the planning and design phase and seeking BREEAM and LEED certification for the construction phase.
- 90 Champs-Élysées Paris 75008, seeking BREEAM certification for the construction phase.

2.8.2 Client participation in the BREEAM In-Use certification process

At meetings in 2013, clients were offered the chance to participate in the certification process by assessing their understanding and implementation of management policies, procedures and practices using the BREEAM In-Use Part 3 standard. One of our clients accepted and obtained a "GOOD" rating for the "Occupier's Management" option, in recognition of its best practices at the Le Vaisseau building in Issy-les-Moulineaux, a suburb of Paris.

This year, SFL is in advanced talks with other clients to join the very select global club of users certified to the BREEAM In-Use Part 3 standard.

SFL recognises good practices

We also undertook certification of our head office activities to the BREEAM In-Use Part 3 standard. We obtained a "VERY GOOD" rating with a score of 68.53%, a result that recognises the best practices deployed at the Washington Plaza building in the eighth arrondissement of Paris.

	Energy	Water	Materials	Pollution	Land Use & Ecology	Health & Wellbeing	Waste	Transport	Management
SFL	53.5	83.1	78.9	82.8	33.3	78.1	65.4	66.7	80.9

Five of the nine sustainability categories were rated "EXCELLENT". Water management and building management received two of the best scores, over 80%.

This certification is a further demonstration of the outstanding quality of SFL's sustainable development policy.

BREEAM In-Use International

In late 2013, BRE, the U.K. certification body responsible for BREEAM, updated its standards for buildings in use. The new BREEAM In-Use International process now includes an energy model to rate building performance in this sustainability category.

SFL intends to have all properties and the head office certified to the new standard in 2014.

2.9. Healthful buildings/air quality

In order to offer clients the best possible conditions of use of our buildings, we examined the issue of day-to-day well-being and healthfulness.

Indoor air quality, noise levels, and natural and artificial lighting are all measurable parameters that can be adjusted to meet client expectations.

Air quality

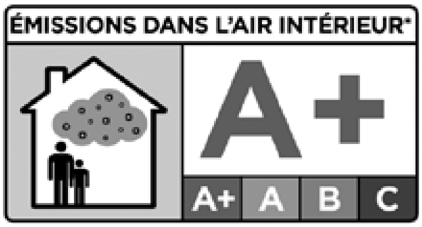
Indoor air quality is particularly important when people spend around 80% of their time in an enclosed office space exposed to multiple sources of pollution related to IT hardware, cleaning products, construction and decoration materials, and building location.

Installations such as air handling units are the main guarantors of optimal air quality inside buildings.

This approach has the added advantage of meeting the requirements of the BREEAM In-Use certification process, which are stricter than French regulations in areas such as the minimum distance between air intakes and extracts and ventilation fan high flow rates.

Air quality standards are included in our specifications during renovations and redevelopment. As part of the certification process redevelopments, we pay particular attention to HQE, BREEAM and LEED requirements concerning air quality.

SFL also uses construction materials that have been environmentally certified — preferably to at least an "A" rating — to reduce volatile organic compounds (VOC) and formaldehyde in air in our buildings through lower emissions of these pollutants..



Another option is to obtain Environmental Product Declaration (EPDs) for the materials used. These are verified documents that report environmental data, including emissivity.

Simple steps can significantly improve air quality, such as carefully selecting the location of air intakes, increasing filtration rates, ensuring that HVAC distribution networks are clean, and performing maintenance more frequently.

Noise levels

Noise-related issues include:

- Protecting users against noise from outside the building, such as road traffic, transport, site activity and external activity.
- Protecting users against noise generated inside the building, such as people talking and moving around, activities and equipment.
- Protecting neighbours against noise from the building and the way it is received.

Facades are one way of managing noise. Thermal and acoustic insulation can complement one another. SFL carefully selects the materials used to ensure the best possible acoustic properties.

Noise must be assessed with users and neighbours and must not exceed thresholds set by law. SFL routinely has the existing conditions audited by acoustical consultants as a basis for defining abatement objectives for outdoor and indoor noise.

Natural and artificial light

SFL integrates access to natural light and visual comfort for all workstations from the design phase, to meet demanding regulatory standards for working conditions and because light affects the quality of life in buildings in use. One of the best examples to illustrate this design process is the In/Out building in Boulogne-Billancourt, where work was carried out on the interior and exterior façade.

Natural light is expressed by the daylight factor, or the ratio of internal light level for the workstation to the external light level on an overcast day. This objective metric can be compared to baseline values.

“Natural light is a major issue; clarity and lightness must be balanced.” In/Out

Comfort, well-being and healthfulness audit

In 2013, SFL began building a scorecard that could be used to continuously and dynamically assess comfort, well-being and healthfulness at the head office in the Washington Plaza building. This scorecard measures a number of well-being and healthfulness indicators in real time:

- Well-being:
  - Temperature
  - Relative humidity
  - Ambient noise
  - Light

- Healthfulness:
  - Carbon dioxide (containment)
  - Light volatile organic compounds (VOCs)
  - Total VOCs
  - Aerosols

Continuous measurements show how these indicators evolve over time.

The measurements were analysed and compared to baseline values for indoor air, i.e. the management values recommended by France’s Public Health Council and other health organisations such as WHO, or by default, the guideline values for indoor air recommended by French national health safety agency ANSES. This process provided a rating for each measurement point:

- Green: excellent
- Yellow: good
- Orange: average
- Red: poor

Sample workspace reading

The analysis was supplemented by air velocity measurements at workstations, measurement of the quality of artificial light at workstations, and assessments of views from windows and access to natural light.

Results for SFL’s head office

A detailed analysis of the findings indicated that the inherent qualities of SFL’s head office are consistent with a “prime” commercial property. Ambient noise in office spaces is managed, air exchange is healthy and compliant, and there is sufficient access to external light to ensure visual comfort. All these factors stimulate employee productivity.

Encouraged by this positive outcome, we are now considering monitoring the healthiness of all our buildings and the well-being they offer:

- The continuous measurement process and unambiguous indicators mean that conditions can be determined and pathways to improvement can be identified.
- The measurements enable fact-based, positive communication with our stakeholders.

2.10. Responsible worksites

SFL's business is renovating and redeveloping buildings to let and manage them. We focus on environmental and financial performance and stakeholder well-being across the value creation chain. Our objective is to develop assets in strategic marketplaces, ensure our long-term future and deliver sustainable "value for users".

2.10.1. Clean worksite charter

To include stakeholders in our strategy, we attach a clean worksite charter to every new lease. The document, which enhances the eco-practices explained in the green lease-related environmental addenda, is intended to educate our tenants about waste management and choice of materials when organising or reorganising their workspaces.

It is also a resource for prime contractors and sub-contractors. Clients welcome the charter as proof of our genuine commitment to the environment.

Lastly, to lend further credibility and consistency, we include it in all contracts for renovation of our properties.

2.10.2. Containing impacts

All work performed on existing buildings will impact the environment and neighbours to varying extents. SFL must therefore take steps to identify, manage and minimise these impacts.

While respecting safety precautions and applying appropriate measures to ensure work is performed correctly, SFL's other objectives are to:

Manage hazardous and ordinary industrial waste and continuously optimise the process.

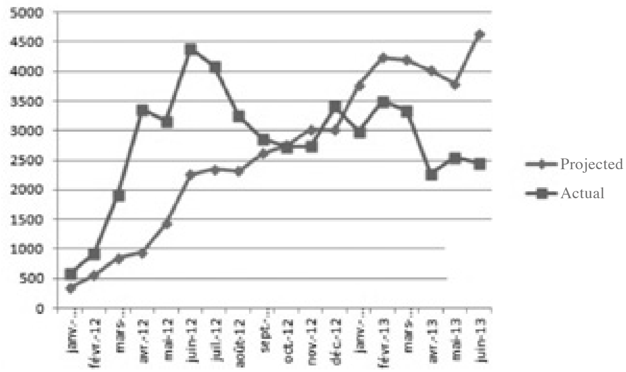
SFL requires the outside sub-contractor performing the work to optimise sorting and recycling of the following types of waste:

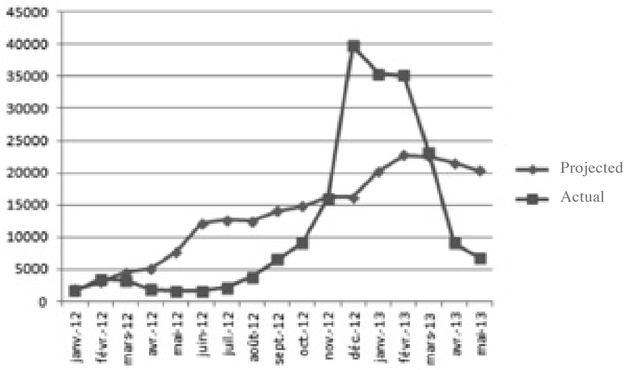
- Inert waste: concrete and rubble, ceramic materials, brick, and tiles.
- Packaging and ordinary industrial waste: plastic, metal, cardboard and paper, and glass.
- Hazardous waste: paint, solvents, glue, tar, treated lumber, oil, etc.
- Waste electrical and electronic equipment (WEEE): electronic circuits, lamps, and thermostats.

Manage raw materials use

At the outset of each project, the Technical & Development Department sets objectives for water and electricity use based on previous experience. Real and forecast use of resources is compared at each stage of the construction or renovation work.

Example: In/Out redevelopment project





Embodied energy

Embodied energy is the energy required over the entire life cycle of a material or product, from production, extraction, transformation and manufacturing to transport, implementation, use, maintenance and recycling.

In construction, the current trend is to drastically reduce the energy use of a building. This reduction involves the installation of high-performance equipment and materials that sometimes have a very high embodied energy content. It is therefore crucial to compare this reduction in energy use in use and the embodied energy that this type of equipment requires.

SFL has decided to incorporate this analysis of embodied energy into major projects, demonstrating that a major renovation uses less energy than a new building of the same size. This unique approach to construction also guides execution and fixture choices.

Reducing disamenities for occupants of the building and neighbours during work (interruptions to organisation, visual, odour and acoustic intrusions, etc.).

The resources implemented for this include:

- Materials storage areas are used and protected from weather (sunlight, rain, wind, etc.).
- Access to sites is carefully thought out.
- Areas for washing delivery trucks and concrete mixers at the exit to the site to avoid dirtying public roads.
- An equipped living area for workers that meets regulatory requirements: changing room, cafeteria/canteen, toilets and eco-equipment.
- Meetings with neighbours every 45 days throughout the project to keep them informed of progress and a post-work satisfaction survey. A mailbox is also available for any request.
- Noise monitoring throughout the project, with a warning when exceeded.

Containing pollution during the work, especially air, water and soil pollution. Actions include:

- Wetting: during demolition and earthworks, the soil and exposed areas are regularly wetted as much as necessary.
- Vacuuming during sanding.
- Ban on burning anything on the worksite.

As part of major renovations that require the creation of premises in infrastructure (for example, IN/OUT), soil pollution studies are routinely performed to prevent any risks during the construction phase.

2.11 Environmental indicators

Aspect		GRI 3.1.	EPRA	Source/Unit	Scope of reporting	2011	2012	2013
Environmental								
Materials								
Materials used by weight or volume	BASE	EN1		kg of paper/ETP	SFL head office	NA	70	80.5
Percentage of materials used that are recycled input materials	BASE	EN2		% of recycled paper used	SFL head office	NA	100%	100%
Energy								
Energy use by source	BASE	EN3	AM03	Heating fuel in kWh	Entire	552	560	552
	BASE	EN4	AM01	Power in kWh	Entire	38,485	36,991	41,632
			AM02	Urban heating and cooling system in kWh	Entire	15,922	17,162	20,956
Energy use intensity		CRE1	IM09	kWh/sq.m./year	Entire	279	277	294
			IM10	kWh/user/year	Entire	1,847	2,036	2,023
Energy saved due to energy efficiency improvements	SUP	EN5		%	Entire	/	/	10%
Water								
Water use	BASE	EN8	AM06	cu.m.	Entire	107,277	133,495	125,941
Water resources significantly affected by water withdrawal	SUP	EN9		Unit		0	0	0
Percentage and total volume of water recycled and reused	SUP	EN10		cu.m.	Ozone	NA	NA	6
Water use intensity		CRE2	IM11	cu.m./sq.m./year	Entire	0.5	0.7	0.6
			IM12	litres/user/day	Entire	16	23	18

Aspect	GRI 3.1.		EPRA	Source/Unit	Scope of reporting	2011	2012	2013
Emissions, effluents and waste								
Greenhouse gas emissions (based on energy used)	BASE	EN16	AM04 AM05	t CO_2e	Entire	4,741	4,971	5,986
Building greenhouse gas emissions intensity		CRE3	IM13	kg CO_2e/sq.m./year	Entire	24	25.2	27.9
			IM14	kg CO_2e/user/year	Entire	159.4	192	192
Greenhouse gas emission intensity of new buildings and major renovation projects		CRE4		t CO_2e/€'000s spent	Renovations	NA	0.51	NA
Other relevant indirect greenhouse gas emissions by weight	BASE	EN17		t CO_2e (user travel-related emissions)	Head office	391	391	391
Total waste by type and processing method	BASE	EN22	AM07	tonnes/year	Reporting data	243	297	538
	BASE		AM08	% waste by type (paper/ ordinary industrial waste)		26% / 74%	31% / 69%	32% / 62%
Total number of and volume of significant spills	BASE	EN23			Entire	0	0	0
Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	SUP	EN24		tonnes/year		0	0	0
Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations		CRE5				0	0	0
Compliance								
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	BASE	EN28				0	0	0
Transport								
Significant environmental impacts of transporting employees, products and other goods or materials used for the organisation's operations	SUP	EN29		t CO_2e (user travel-related emissions)	Entire	NA	5,113	5,985
Overall								
Total environmental protection expenditures and investments by type	SUP	EN30		(€'000 (investments)	Entire	NA	NA	760
				€'000 (expenditures)		NA	NA	NA

NA Not Available.

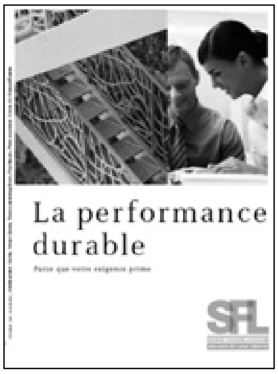
3. Society

Increased engagement with stakeholders

SFL's success is built on ever greater engagement with stakeholders. Clients, contractors and employees are even more important than our buildings. And because of this, we need to get to know them, forge trust-based relationships and be able to proactively anticipate their needs to manage and develop assets and services that meet their needs. We have produced two documents designed to ensure that this approach is understood and embraced by everyone, from clients, partners and employees to suppliers, engineers and architects.

Value for users

Sustainable performance



3.1. Clients

3.1.1. Client satisfaction

We continuously strive to build client intimacy, analysing and working to understand the needs and expectations of users of our buildings. To help us with that, we conduct satisfaction surveys every two years; this frequency may change.

Carried out for the second time in three years, the 2013 survey aimed to gauge client satisfaction and identify the real expectations of the people who use our buildings every day. The information gathered allows us to assess demand and offer solutions that are aligned with – or even ahead of – requirements.

Methodology

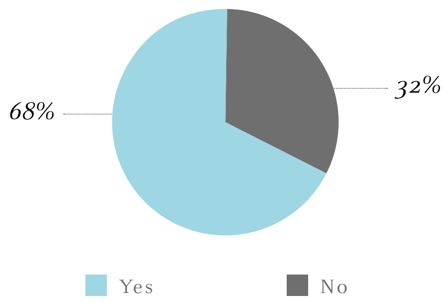
Working with HEC Junior Consulting, we surveyed a panel of respondents comprising:

- 492 employees, 47 companies and 12 buildings.
- 52% women, 48% men.
- 79% managers, senior managers and executives.

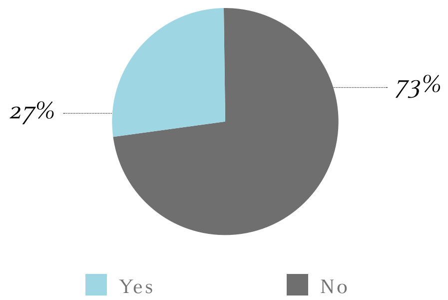
A second questionnaire was sent to SFL's direct contacts (property directors, human resources directors, general services managers, administrative and financial directors, and chief resources officers). One section consisted of more specific questions related to sustainable development strategy.

The responses are summarised below.

Do you have an internal sustainable development policy?

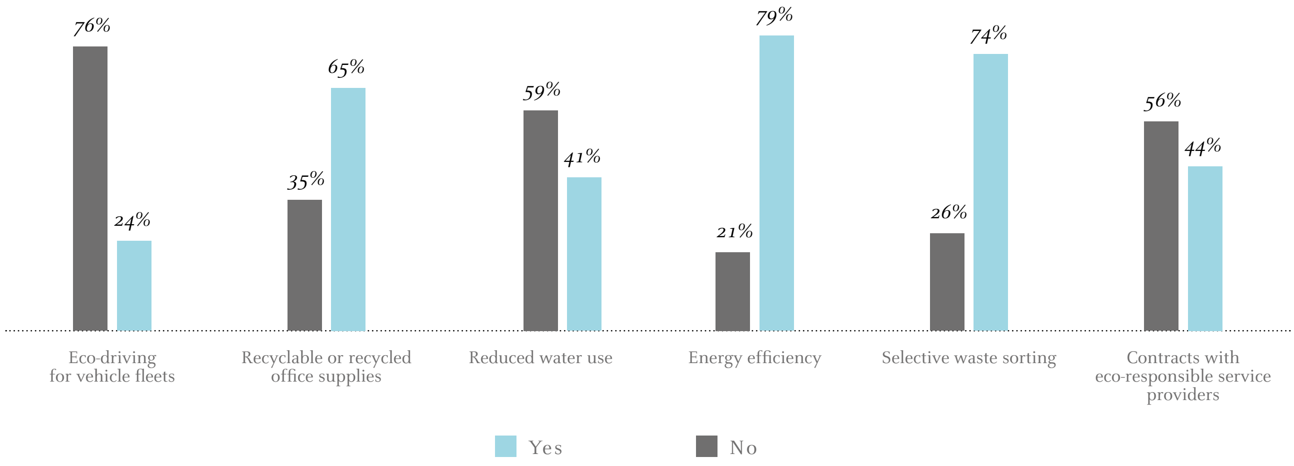


Do you publish a sustainable development report?



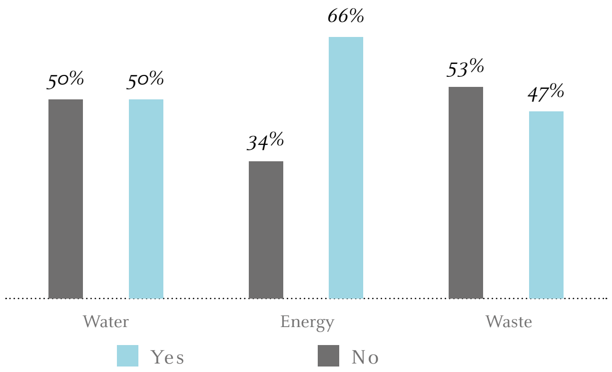
Some **68%** of respondents said that their organisation had an **internal sustainable development strategy.**
However, only **27% publish an internal sustainable development report.**

What environment-related improvements are you pursuing?



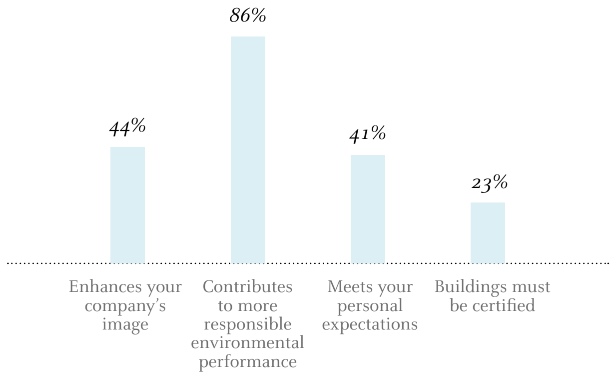
Energy efficiency and **selective sorting of waste** are the most common improvement focuses.

Do you track your energy and water use?



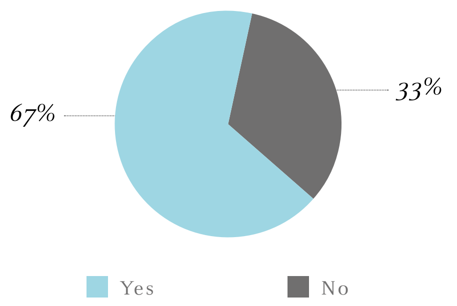
Not everyone tracks water use and waste generation as a matter of course. **Energy use is more consistently tracked by the companies surveyed (65%).**

Why is it important?



Two-thirds of the respondents feel **it is important that their buildings be certified to environmental standards**, especially from the standpoint of contributing to more responsible environmental performance (84%).

Do you think it is important that your building be certified to environmental standards?



3.1.2. Premium amenities

SFL is transitioning from a provider of space to a creator of solutions. Offering premium amenities maximises the productivity of users of our buildings.

3.1.2.1. ServicesbySFL

www.servicesbysfl.com

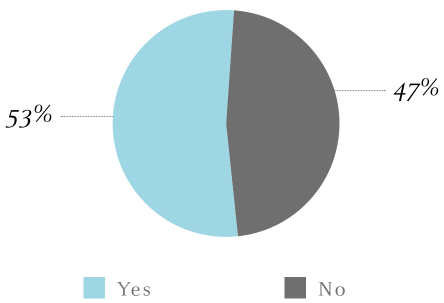
ServicesbySFL is a web-based solution that provides information on amenities internal and external to our buildings. The customised app covers transport, eating options, nearby services, concierge services, and the building (environmental certifications, carbon footprint, online user guide).

Statistics

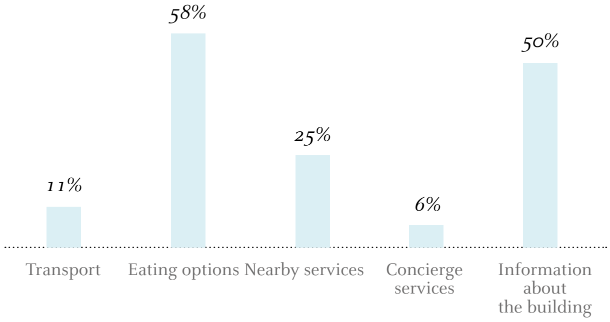
Launched in April 2013, the *ServicesbySFL* app has recorded more than 140,000 page views and over 5,700 unique visitors.

Tenants were asked about the ServicesbySFL website and its use. Responses are given below.

Are you familiar with ServicesbySFL?



What do you use it for?



Source: SFL survey, 2013.

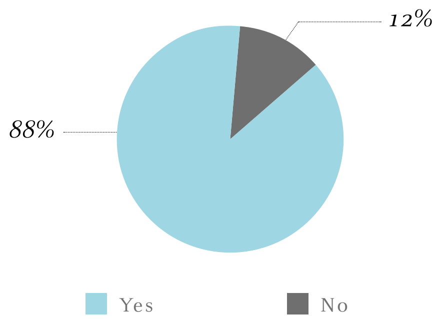
> The respondents indicated that they mainly consult the **eating options** section.

3.1.2.2. Company restaurant

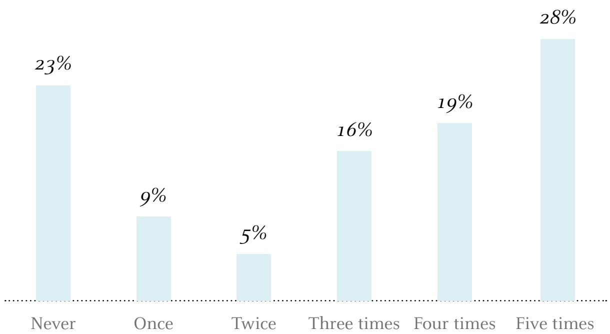
Most SFL buildings have a company restaurant, an integrated service appreciate by our clients. Our quality food services are based on chefs who are responsive to client comments, varied, healthy dishes and proven expertise in organising space. These factors combine to offer a relaxing experience that contributes to well-being.

Excerpts from the 2013 satisfaction survey

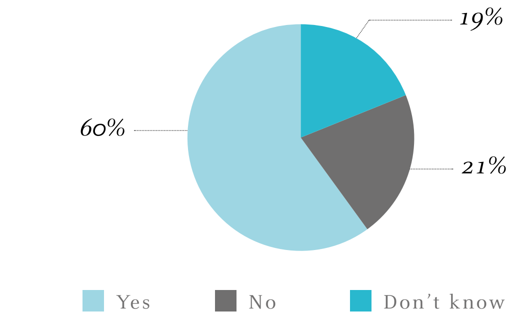
Does your building have a company restaurant?



How often do you lunch there on average each week?



Are you satisfied with the quality of the restaurant?



Most respondents are satisfied with the quality of food services.

3.1.3. User guide/employee handbook

We publish building guides for users. These entertainingly written documents provide a wealth of information on the building and how it operates. Topics covered include the history of the building, business hours, accessibility (pedestrians, public transport, people with reduced mobility, vehicles), site safety and security, technical management and food services.

Users can also find an exhaustive list of eco-friendly practices to be employed daily in the areas of energy, water management, eco-responsible purchasing, selective waste sorting and virtuous travel (Velib' bicycle sharing and public transport).

This handy resource meets a dual objective:

- It rounds off our prime amenities by providing exhaustive information to clients.
- It meets environmental certification requirements.

3.1.4. Green leases, in tune with the times

France's Grenelle II Act made it compulsory for leases covering more than 2,000 square metres to include an environmental addendum signed by the lessor and the tenant. All leases concerned must comply with this requirement no later than July 14, 2013.

Although the decree contains few specifics concerning content, we view the addendum as an opportunity to foster dialogue with our clients, a tool for more effective management of energy costs, and a way to create a solid database for our buildings. And annual meetings of the "green" committees it introduces allow the lessor and tenants to address environmental issues.

A wide range of viewpoints are expressed in discussions with tenants, nearly always reflecting the extent of their commitment to or obligations with regard to sustainable development. Of 40 companies surveyed, eight publish a sustainable development report. In an environment that is admittedly difficult, enthusiasm for sustainable development and its challenges varies significantly.

Nonetheless, we continue to deploy our strategy of *including an environmental addendum in all new leases, even for surface areas less than 2,000 square metres.*

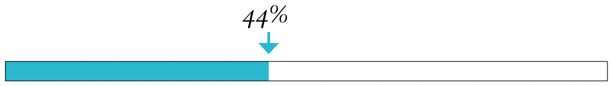
- Leases signed in 2013, number and surface area.

In 2013, we marketed 16,700 square metres. All leases signed included an environmental addendum, whether or not this was compulsory under Article 8 of the Grenelle II Act. All lease renewals were also "green".

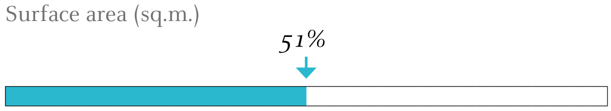
- Leases for surface areas exceeding 2,000 square metres

Status:

Number of leases



Surface area (sq.m.)



At 31 December 2013, 51% of all leases included an environmental addendum. For purposes of comparison and to provide an idea of the scale of the task, just **25% of the required addenda had been signed nationally** (source: Observatoire de l'immobilier durable, October 2013).

3.1.5. Value for users survey

In 2013, we conducted a survey on "value for users of commercial property", in partnership with the City of Paris and consultancy Quartier Libre. It went beyond the purely financial aspect of cost per square metre to determine how workspaces contributed to team performance.

Office = Creating value
Driver 1: Maximising productivity (location, a powerful driver of commercial and organisational efficiency)
Driver 2: Well-being at work
Driver 3: Organisational efficiency (open, social, slow office)

The survey showed that the importance placed on the workspace depends on the type of company. Some are strongly committed to leveraging the intangible aspects of their workspaces, which can drive performance by employees and ultimately impact productivity.

Criteria impacting commercial productivity

Office property is a working tool that can motivate employees and increase their productivity. SFL's properties meet significant location, product, amenities and sustainable development criteria, positioning them to meet the requirements and challenges of companies.

REQUIREMENT	SFL SOLUTIONS
ACCESSIBILITY Commuting time	PARIS PUBLIC TRANSPORT NETWORK
CENTRAL LOCATION Frequency of client visits and/or meetings with business partners	CENTRAL BUSINESS DISTRICT
WORK METHOD Collaborative work and teamwork	SFL PRIME PRODUCTS
WORKING ENVIRONMENT Quality of the nearby shopping and cultural amenities	URBAN ENVIRONMENT
SUSTAINABLE DEVELOPMENT Physical, physiological, mental comfort and ethical responsibility	OUTSTANDING CARBON FOOTPRINT
ATTRACTIVENESS Pride in belonging and self image	ARCHITECTURE & DESIGN

3.1.6. Responsible purchasing

In 2012, policies were implemented to reduce the environmental footprint of our daily operations.

• Corporate vehicle fleet

Any replacements or additions to the current 10-car fleet run on petrol rather than diesel, to eliminate ultrafine exhaust particulates.

To date, 40% of the fleet has been replaced.

• Paper

Paper weight has been reduced from 90 to 80 g/sq.m. and official correspondence is now printed on paper sourced from FSC or PEFC sustainably managed forests, with default settings in black and white rather than colour.

SFL now only uses recycled paper, whose production requires three times less energy and water than conventional paper. In addition, using recycled paper saves trees and fights against deforestation, while avoiding the release of 300 kg CO_2e per tonne used.

Printers have also been programmed for black and white duplex printing.

• Correspondence

In 2012, SFL began participating in the French Post Office's "green letter" service, an environmentally friendly second-class mail delivery that does not go by air, thereby helping to reduce the postal system's carbon emissions by up to 30% compared with priority mail.

• Cafeteria consumables and responsible coffee drinking
All of the plastic cups in the cafeteria have been replaced by recycled paper cups, at an additional cost of two euro cents per cup.

• Circular economy: eliminating waste
When SFL offered employees the opportunity to take home office furniture from the old head office (Le Louvre des Entreprises, 151 rue Saint-Honoré), all of the furniture was taken either by employees or by non-profit organisations or business start-ups.

• Selection criteria
In line with our strategy, we are taking an innovative approach to purchasing. In 2012, we made inspector travel among sites one of the criteria for selection of an inspection firm to verify compliance of our buildings. We selected the firm that proposed the smallest footprint and annually updates its carbon emissions data. In 2013, the inspection firm confirmed its commitment to this process by consolidating the carbon footprint for the previous year.

3.2. Suppliers

Contractors

In commissioning work, SFL gives priority to companies and contractors based in the Ile-de-France region. The tenders signed with them provide contractual assurance of verifiable compliance with our standards. As a rule, the number of levels in the sub-contracting pyramid is limited to guarantee the administrative traceability of all participants.

Human rights

SFL ensures that our suppliers uphold the Fundamental Conventions of the International Labour Organisation (ILO) in the areas of:
– Freedom of association and collective bargaining.
– Employment and job non-discrimination.
– Forced and compulsory labour.
– Child labour.

Fighting clandestine and undeclared labour (anti-corruption)

To meet the requirements of complex regulations concerning undeclared and clandestine labour, in 2013 we strengthened controls concerning the administrative obligations of our 1,700 service providers and suppliers. We set up a reference web application accessible to everyone at SFL that can be used to verify the administrative compliance of companies we place orders with. No corruption-related incidents were reported in 2013.

3.3. Managing health and safety risks

We have implemented partnerships and tools consistent with an excellence-focused culture to respond to the quality requirements of the prime property segment.

• Compliance audits
Maintaining compliant equipment helps to combat the technical obsolescence of our buildings in terms of safety. To ensure that we meet regulatory guidelines at all times, we issued a call for tenders to outsource compliance audits to a specialised service provider.

Audits are performed at each site in line with regulations on buildings open to the public and the French Labour Code. The Risks & Environment Department oversees the audit process, receiving reports from the service provider that contain a detailed, exhaustive list of non-compliances. SFL's site and repair manager is notified and must correct the non-compliances.

List of compliance audits covered by the framework contract:

- Electricity
- Lightning rods
- Lifts and service lifts.
- Travelling units and mobile scaffolds.
- Escalators.
- Automatic doors.
- Safety hooks and safety lines.
- Refrigeration, compression and combustion installations covered under Sections 2910-2A and 2920-1B of France's for buildings with environmental impacts.
- Compactors.
- ATEX zones (explosive atmosphere).
- Emergency equipment and practices, including:
  - Evacuation drills and audibility tests.
  - Fire hoses stations/cabinets and dry rising mains.
  - Sprinklers.
  - Portable fire extinguishers.
  - Smoke removal system.
  - Automatic detection systems.
  - Alarm and alert equipment.
  - Fire doors, fire shutters, hatches, shutters.
- Gas or steam pressure vessels/CPCU district heating network.

We are innovating by integrating environmental issues into the framework contract: all sites are required to have their carbon footprint assessed by the auditor and updated annually.

• Inspection monitoring: the Environmental Safety/ Sustainable Development Scorecard

Announced in last year's sustainable development report, the Environmental Safety/Sustainable Development Scorecard was deployed in the second half of 2013. SFL now has a centralised information system that allows us to efficiently monitor requirements related to industrial hygiene and health, safety and the environment.

The Scorecard has strengthened internal cross-functionality by providing a shared platform made up of four parts:
– General information on the portfolio.
– Safety of the portfolio.
– Sustainable development.
– Industrial hygiene and health.

The section on the safety of the portfolio contains a subsection on inspections and audits that is used to track compliance with audits and obligations specified by regulatory guidelines. It provides a reminder of audit anniversary dates and can be used to make updates as comments are submitted.
Problems are ranked according to their seriousness:

Level 1: Anomaly representing and serious and imminent risk.
Level 2: Anomaly representing a major noncompliance.
Level 3: Anomaly representing a minor noncompliance.

An audit and reporting grid is used to manage audits, planning, and management of anomalies. It also serves as a basis for discussion at a review committee meeting held every six months.

• Compliance monitoring

In 2012, the compliance monitoring system was revamped with the installation of AMADEO, a customised application designed by Bureau Véritas that supplements the Environmental Safety/Sustainable Development Scorecard.

The Risks & Environment Department regularly informs the operating departments (Projects and Operations) of any regulatory changes and ensures that the related procedures are applied in buildings both in use and undergoing redevelopment.

For each one, the operating departments provide Risks & Environment with all the necessary information for the administrative monitoring of regulatory issues.

The Risks & Environment Department also monitors health and safety risk issues for all properties in the portfolio.

• Health and safety charter

Our health and safety organisation is governed by a charter and a procedure manual, which are both regularly updated to reflect changes in health and safety legislation.

3.4. Access to properties

3.4.1. Public transport

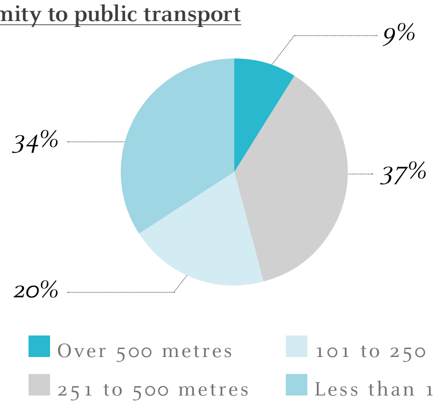
With more than 82% of our properties located in the Paris Central Business District, our assets offer easy access to public transport. This long-standing strategy concerning location delivers an array of benefits:

– One of the most competitive carbon footprints in the office property market.
– A significant driver of productivity improvements (commuting and client-partner accessibility) for companies.
– Well-being, because short commuting times reduces fatigue and stress.

{According to French government statistics (INSEE), the average Parisian spends 90 minutes a day in transport, or 15% of his or her working hours.}

91% of SFL buildings are located less than 500 meters from an underground station.

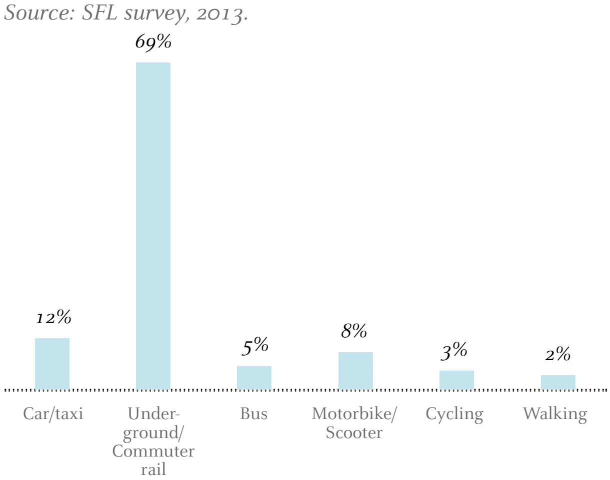
Proximity to public transport



% of the portfolio by surface area

Which method of transport do you use for commuting?

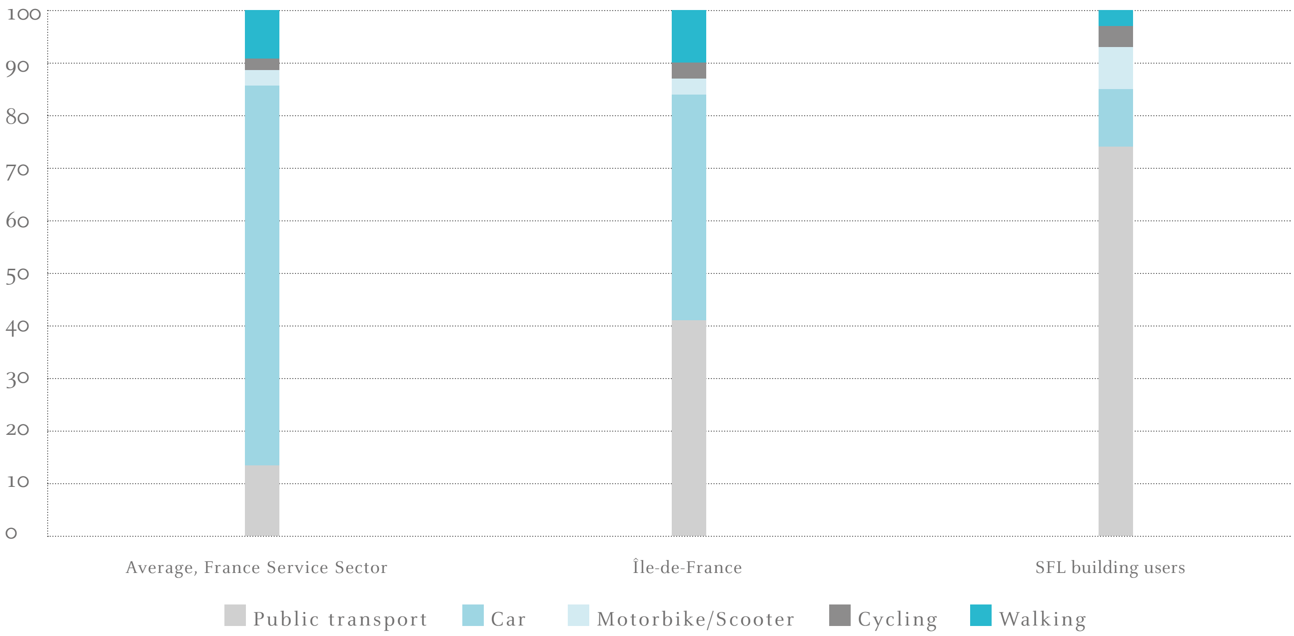
Source: SFL survey, 2013.



The people surveyed report that by far the most commonly used means of public transport are the underground and commuter rail.

Below, a comparison of the transport modes used by our tenants with statistics published by the French government (*average France service sector, 2008 Transport Survey*) and transport operator STIF (*Ile-de-France region, 2010 Transport Survey*).

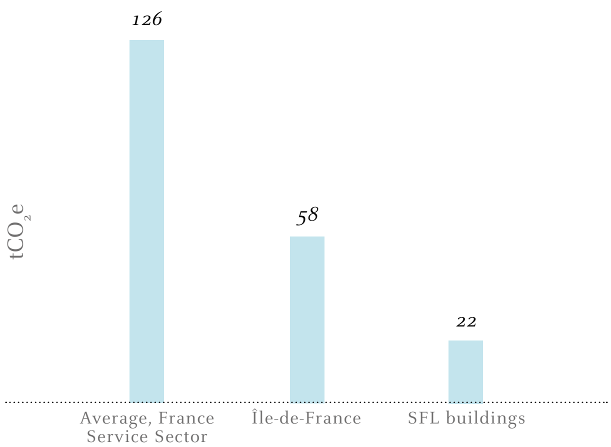
Means of commuting depending on office location



Seventy-four per cent of users of our buildings take public transport to work; only 11% take their cars.

The shares per mode can also be compared by carbon equivalent footprint. Walking or cycling has a zero footprint, while cars are responsible for the greatest pollution.

Commuting carbon footprint



Carbon footprint for a sample of 100 commuters.
ADEME V7.1 emission factors.

The bar chart shows that the average French commuter generates **five times** more greenhouse gas emissions than a user of an SFL building.

3.4.2. Accessibility for people with reduced mobility

Accessibility is a key factor in promoting employment for the disabled. Committed to offering exemplary services in this area, SFL has planned a program of work to improve access to our buildings for the disabled.

Requirements for workplace accessibility are set out in the French Labour Code. SFL would like to do better than these relatively low standards for buildings covered by the Labour Code. We therefore conducted a comprehensive survey to map the accessibility of our sites and serve as the foundation for an accessibility reference program.

Accessibility is defined as allowing the disabled "to access our buildings, move around them, be evacuated, navigate and communicate with the greatest possible independence." We want the disabled have the same access to our buildings as the able-bodied or, failing that, enjoy a similar experience.

Types of disability covered by the survey
- Motor, people with reduced mobility
- Visually impaired, blind
- Hearing impaired, deaf
- Psychiatric disability

Our aim is to install special equipment enabling people with disabilities to safely navigate our buildings, including flashing sirens, elevator cabins with visual and audio information systems and braille call buttons.

SFL also includes improving access to our properties for people with reduced mobility in the specifications for every redevelopment project. Properties representing 75% of the portfolio will be accessible by the end of 2014; all buildings undergoing redevelopment or in the works phase will be accessible by 2015.

3.5. Industry organisations

FSIF

As a member of French property industry federation FSIF, SFL regularly participates in the strategy committee meetings for France's Sustainable Building Plan. Launched in January 2009, the plan brings together a large number of construction and property stakeholders to help prepare energy efficiency objectives for their sector.

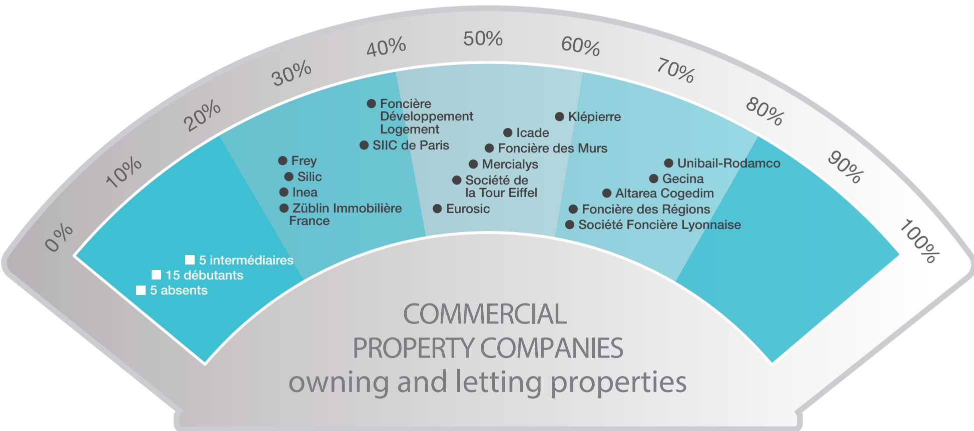
BRE event: Best of BREEAM in France

As the first property company to be fully BREEAM certified, we shared our certification experience and strategy for our buildings in use and under renovation at a seminar held in December 2013 by the Building Research Establishment (BRE), the UK-based certification organisation.

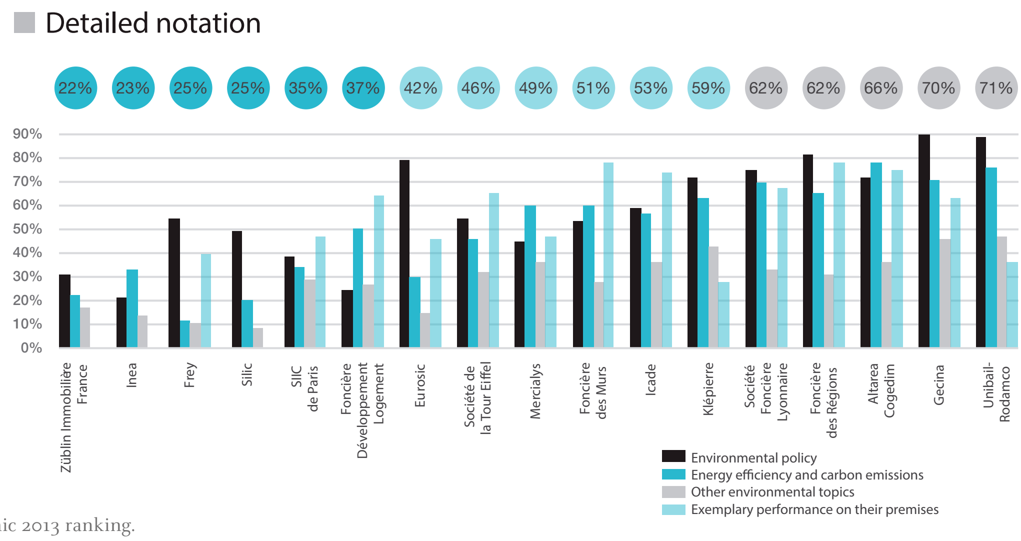
Sustainability rating

• NOVETHIC SCORECARD

French socially responsible investment rating agency Novethic publishes a ranking based on the environmental issues covered by the Grenelle II Act. The panel includes all 60 or so publicly traded property and building companies in France. In 2013, SFL tied for fourth place among commercial property companies. This ranking recognises our commitment and proactivity in the area of sustainability and marks us one of the most outstanding of our peers in terms of sustainable development reporting.



Source: Novethic 2013 ranking.



Source: Novethic 2013 ranking.

• **GRESB**

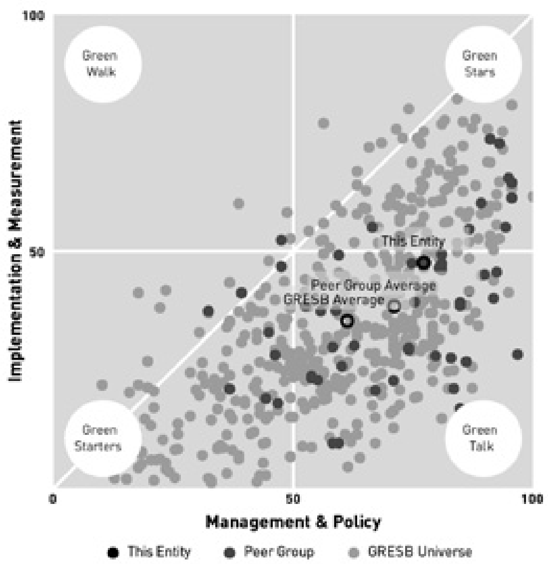
In 2013, for the second year in a row, SFL signed up to participate in the sustainability performance survey conducted by Global Real Estate Sustainability Benchmark (GRESB), an organisation committed to assessing the sustainability performance of public and private real estate portfolios around the globe.

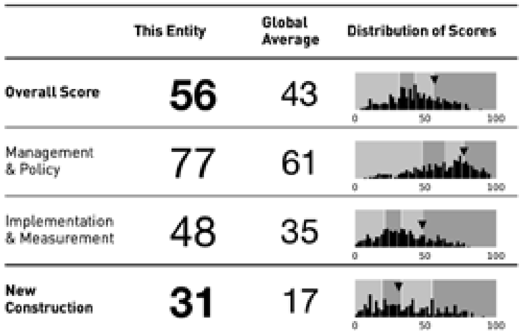
The 2013 report was based on data for 49,000 buildings worth $1.6 billion, provided by 550 property companies worldwide. Compared with the panel of 60 peer property companies across Europe, SFL ranked **19th** among **office property companies** with a total score of 56%, of which 77% for management and policy and 48% for implementation and measurement.

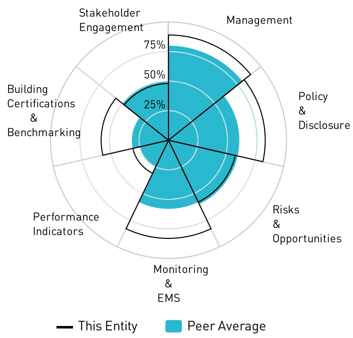
Ranking:
– 19th-ranked office property company in Europe, out of 57 evaluated
– 30th-ranked office property company in the world, out of 80
– 7th-ranked office property company in the world, out of 13

SFL SCOREBOARD	2012	2013
OVERALL SCORE	49%	56%
Management & Policy	67%	77%
Implementation & Measurement	41%	48%

GRESB Quadrant Model







3.6. Architecture and culture

The art of memory

"Mémoires Contemporaines" is a recurring art event initiated by SFL to showcase the cultural and historic heritage of our buildings and promote an innovative architectural approach. Three major installations have involved three significant buildings in our portfolio.
Mémoire Contemporaines 1, by Per Barclay and Alain Bublex, was an opportunity to address the critical issue of the transformation of companies and their organisations. Mémoires Contemporaines 2, by Felice Varini, allowed us to draw parallels between the anamorphic, or distorted, view of the outline and the importance of strategic vision for companies.

With the Grandes Ondes (Great Waves) installation, SFL has given artist François Morellet free rein to leave his ephemeral mark on the Louvre/Saint-Honoré building – formerly Grands Magasins du Louvre, a department store – for three years with an installation underscoring the crucial nature of connectivity for companies and networking for their teams. The waves – concentric arcs made up of more than 100 sky blue neon tubes – emerge from a virtual point in the sky and cover the four facades. The interplay with the ornamental elements of the architecture infuses the building with soul and a new sensitivity.

3.7. Index of social and economic indicators

Aspect		Scope	GRI 3.1.		2011	2012	2013
Society							
Local community							
Percentage of operations with implemented local community engagement, impact assessments, and development programs		SFL Group	BASE	SO1	100%	100%	100%
Operations with significant potential or actual negative impacts on local communities		SFL Group	BASE	SO9	2	1	2
Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities		SFL Group		CRE7	0	0	0
Corruption							
Percentage and total number of business units analysed for risks related to corruption		SFL Group	BASE	SO2	100%	100%	100%
Public policy							
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country			SUP	SO6	0	0	0
Anti-competitive behaviour							
Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		SFL Group	SUP	SO7	0	0	0
Compliance							
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		SFL Group	BASE	SO8	0	0	0
Product responsibility							
Customer health and safety							
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes			SUP	PR2	0	0	0
Product and service labeling							
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		SFL buildings	BASE	PR3	100%	100%	100%
Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation, and redevelopment	HQE® construction	SFL buildings		CRE8	1	2	1
	BREEAM In-Use	SFL buildings		CRE8	0	3	13
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		SFL Group	SUP	PR4	0	0	0
Marketing communications							
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes		SFL Group	SUP	PR7	0	0	0
Customer privacy							
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		SFL Group	SUP	PR8	0	0	0
Compliance							
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		SFL Group	BASE	PR9	0	0	0
Economic							
Economic Performance							
Significant financial assistance received from government			BASE	EC4	0	0	0

In 2013, SFL had the reliability of the reporting checked by an external auditor (Deloitte), and achieved an application level A+ for the GRI 3.1 guidelines.

Index of reporting guidelines

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
1. Strategy and Analysis			
Statement from the most senior decision-maker of the organisation (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and its strategy	1.1	6.2	42
Description of key impacts, risks, and opportunities	1.2		22 to 29
2 - Organisational Profile			
Name of the organisation	2.1	7.6	5; 9
Primary brands, products, and/or services	2.2		5; 6
Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	2.3		42; 43
Location of organisation's headquarters	2.4		52; 210
Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	2.5		6; 52; 60
Nature of ownership and legal form	2.6		9
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	2.7		5; 6
Scale of the reporting organisation, including:			
Number of employees			50
Number of operations			5
Net sales (for private sector organisations) or net revenues (for public sector organisations)	2.8		9; 144 to 147
Total capitalization broken down in terms of debt and equity (for private sector organisations)			144 to 147
Quantity of products or services provided			5; 53
Significant changes during the reporting period regarding size, structure, or ownership including:			
The location of, or changes in operations, including facility openings, closings, and expansions	2.9		5
Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)			5 to 9
Awards received in the reporting period	2.10		80 to 81
3 - Report Parameters			
Reporting period (e.g. fiscal/calendar year) for information provided	3.1		210; 216; 217
Date of most recent previous report (if any)	3.2		217
Reporting cycle (annual, biennial, etc.)	3.3		216
Contact point for questions regarding the report or its contents	3.4		208
Process for defining report content, including:	3.5		
Determining materiality			26 to 28
Prioritising topics within the report			ND
Identifying stakeholders the organisation expects to use the report			24 to 26
Explanation of how the organisation has applied the "Guidance on Defining Report Content," the associated Principles and the Technical Protocol - Applying the Report Content Principles			N/A
Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	3.6		9; 52 to 54
State any specific limitations on the scope or boundary of the report	3.7	6.6.6 7.5.3 7.6	52 to 54
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	3.8		9; 149; 150
Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	3.9		52 to 54
Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	3.10		52 to 54
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3.11		10; 52 to 54; 149 to 154
Table identifying the location of the Standard Disclosures in the report	3.12		83 to 91
Policy and current practice with regard to seeking external assurance for the report	3.13		92; 93; 197

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
4 - Governance, Commitments, and Engagement			
Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	4.1		42; 43; 100
Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement)	4.2		101
For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	4.3		103
Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	4.4		117
Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	4.5		13 to 22
Processes in place for the highest governance body to ensure conflicts of interest are avoided	4.6		110; 112
Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	4.7		104; 114 to 116
Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	4.8		42; 114
Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance	4.9		N/A
Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	4.10		113; 114
Explanation of whether and how the precautionary approach or principle is addressed by the organisation	4.11	6.8.9	22 to 26
Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	4.12	6.8.9	78; 119 to 122
Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation:	4.13	6.8.9	
Has positions in governance bodies			N/A
Participates in projects or committees			49; 80
Provides substantive funding beyond routine membership dues			N/A
Views membership as strategic			80
List of stakeholder groups engaged by the organisation	4.14	5.3.3	N/A
Basis for identification and selection of stakeholders with whom to engage	4.15		72 to 75
Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	4.16		70; 72 to 75; 110; 112
Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	4.17		72 to 75

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
Economic			
Disclosure on Management Approach		6.2 6.8	5 to 9
Aspect: Economic Performance			
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	EC1	6.8 6.8.3 6.8.7 6.8.9 6.5.5 6.4.4	20; 31; 32; 47 to 49
Financial implications and other risks and opportunities for the organisation's activities due to climate change and other sustainability issues	EC2		42; 52; 68 ; 76
Coverage of the organisation's defined benefit plan obligations	EC3		47 to 49
Significant financial assistance received from government	EC4		82
Aspect: Market Presence			
Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	EC5	6.4.4 6.8 6.6 6.8.5 6.8.7	N/A
Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	EC6		N/A
Procedures for local hiring and proportion of senior management and all direct employees, contractors and sub-contractors hired from the local community at locations of significant operation	EC7		47
Aspect: Indirect Economic Impacts			
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	EC8	6.8.5	N/A
Understanding and describing significant indirect economic impacts, including the extent of impacts	EC9		N/A
Environmental			
Disclosure on Management Approach		6.2 6.5	52
Aspect: Materials			
Materials used by weight, value or volume	EN1		70
Percentage of materials used that are recycled and reused input materials	EN2		70
Aspect: Energy			
Direct energy consumption by primary energy source	EN3	6.5.4 6.4.5	70
Indirect energy consumption by primary energy source	EN4		70
Building energy intensity	CRE1		55; 57; 70
Energy saved due to conservation and efficiency improvements	EN5		57; 70
Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	EN6		54 to 59
Initiatives to reduce indirect energy consumption and reductions achieved	EN7		54 to 59
Aspect: Water			
Total water withdrawal by source	EN8	6.5.4	70
Water sources significantly affected by withdrawal of water	EN9		62; 70
Percentage and total volume of water recycled and reused	EN10		70
Building water intensity	CRE2		70

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
Aspect: Biodiversity			
Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	EN11	6.5.6	59 to 62
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	EN12		59 to 62
Habitats protected or restored	EN13		59 to 62
Strategies, current actions, and future plans for managing impacts on biodiversity	EN14		59 to 62
Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	EN15		59 to 62
Aspect: Emissions, Effluents, and Waste			
Total direct and indirect greenhouse gas emissions by weight	EN16	6.5.3 6.5.4 6.5.5	71
Greenhouse gas emissions intensity from buildings	CRE3		58; 59; 71
Greenhouse gas emissions intensity from new construction and redevelopment activity	CRE4		71
Other relevant indirect greenhouse gas emissions, in tonnes of carbon dioxide (work-related travel excluding the executive fleet, business travel and visitors, inputs, freight, waste, property and equipment, etc.)	EN17		58; 59; 71
Initiatives to reduce greenhouse gas emissions and reductions achieved	EN18		58; 59
Emissions of ozone-depleting substances by weight	EN19		59
NO, SO, and other significant air emissions by type and weight	EN20		N/A
Total water discharge by quality and destination	EN21		N/A
Total weight of waste by type and disposal message	EN22		64; 65; 71
Total number and volume of significant spills	EN23		71
Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	EN24		64
Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	EN25		59 to 62
Land and other assets remediated and in need of remediation for the existing or intended land use according to applicable legal designations	CRE5		71
Aspect: Products and Services			
Initiatives to enhance efficiency and mitigate environmental impacts of products and services, and extent of impact mitigation	EN26	6.5 6.5.4 6.6.6	55 to 57; 59 to 62
Percentage of products sold and their packaging materials that are reclaimed by category	EN27		Non applicable
Aspect: Compliance			
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	EN28	6.5.1 6.5.2	71
Aspect: Transport			
Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	EN29	6.5 6.5.4 6.6.6	71; 78; 79
Aspect: Overall			
Total environmental protection expenditures and investments by type	EN30	6.5	55; 71

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
Human Rights			
Disclosure on Management Approach		6.2 6.3	46
Aspect: Investment and Procurement Practices			
Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	HR1	6.3 6.3.5 6.6.6	N/A
Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	HR2		51; 77
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	HR3		51
Aspect: Non-Discrimination			
Total number of incidents of discrimination and corrective actions taken	HR4	6.3.10	51
Aspect: Freedom of Association and Collective Bargaining	HR5		77
Aspect: Child Labour	HR6		77
Aspect: Forced and Compulsory Labour	HR7		77
Aspect: Security Practices	HR8	6.3.5 6.4.3 6.6.6	Non applicable
Total number of incidents of violations involving rights of indigenous people and actions taken	HR9	6.3.7 6.3	Non applicable
Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	HR10		51
Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	HR11		51
Labour Practices and Decent Work			
Disclosure on Management Approach		6.2 6.4	46
Aspect: Employment			
Total workforce by employment type, employment contract, and region, broken down by gender	LA1	6.4.4	50; 51
Total number and rate of new employee hires and employee turnover by age group, gender, and region	LA2		50; 51
Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	LA3		47; 50
Return to work and retention rates after parental leave, by gender	LA15		N/A
Aspect: Labour/Management Relations			
Percentage of employees covered by collective bargaining agreements	LA4	6.4.3 6.4.5	50
Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	LA5		49
Aspect: Occupational Health and Safety			
Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	LA6	6.4.6	49; 50
Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	LA7		50
Percentage of the organisation operating in verified compliance with an internationally recognized health and safety management system	CRE5		50
Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	LA8		43; 50
Health and safety topics covered in formal agreements with trade unions	LA9		49

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
Aspect: Training and Education			
Average hours of training per year per employee by gender, and by employee category.	LA10	6.4.7	51
Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	LA11		49
Percentage of employees who have periodic performance appraisals and career reviews, by gender	LA12		51
Aspect: Diversity and Equal Opportunity			
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	LA13	6.3.10 6.4 6.4.3	N/A
Aspect: Equal Remuneration for Women and Men			
Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	LA14	6.3.10 6.4 6.4.3	N/A
Product Responsibility			
Disclosure on Management Approach		6.2 6.6 6.7	46; 52
Aspect: Customer Health and Safety			
Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	PR1	6.7.4	N/A
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	PR2		82
Aspect: Product and Service Labelling			
Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	PR3	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	82
Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment	CRE8		65 to 67; 82
Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	PR4		82
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	PR5		72 to 75
Aspect: Marketing Communications			
Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	PR6	6.7 6.7.3 6.7.6 6.7.9	N/A
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	PR7		82
Aspect: Customer Privacy			
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	PR8	6.7 6.7.7	82
Aspect: Compliance			
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	PR9	6.7 6.7.6	82

GRI 3.1 Standard Disclosures	GRI G3.1	ISO 26000	Page of the Financial and Legal Report
Society			
Disclosure on Management Approach		6.2 6.6 6.8	72
Aspect: Local Communities			
Percentage of operations with implemented local community engagement, impact assessments, and development programs	SO1	6.3.9 6.6.7 6.8 6.8.5 6.8.7	82
Operations with significant potential or actual negative and positive impacts on local communities	SO9		69; 70; 82
Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	SO10		70
Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project	CRE7		82
Aspect: Corruption			
Percentage and total number of business units analysed for risks related to corruption	SO2	6.6 6.6.3	82
Percentage of employees trained in organisation's anti-corruption policies and procedures	SO3		N/A
Actions taken in response to incidents of corruption	SO4		77
Aspect: Public Policy			
Public policy positions and participation in public policy development and lobbying	SO5	6.6 6.6.4 6.8.3	N/A
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	SO6		82
Aspect: Anti-Competitive Behaviour			
Total number of legal actions for anti- competitive behaviour, anti-trust, and monopoly practices and their outcomes	SO7	6.6.3	82
Aspect: Compliance			
Monetary value of significant fines and total number of non-monetary sanctions for non- compliance with laws and regulations	SO8	6.6.3	82

GRI (Global Reporting Initiative): GRI 3.1 and CRESS (Construction and Real Estate Sector Supplement) indicator protocols.
ISO 26000: international standard: guidelines concerning the social responsibility of organisations.
N/A : Not Available.

	Information provided under Article 225 of the Grenelle II Decree of 24 April 2012	Page(s) in the 2013 management report
SOCIAL		
1° Social information		
	a) Employment	
1	- Total workforce by gender, age group and region	50
2	- Recruitments and terminations	50
3	- Compensation and changes in compensation	47; 48; 50
	b) Organisation of work	
4	- Organisation of work time	48
5	- Absenteeism	50
	c) Labour relations	
6	- Organisation of social dialogue, particularly employee information, consultation and bargaining procedures	49
7	- Outcome of collective agreements	49
	d) Occupational health and safety	
8	- Health and safety conditions at work	49
9	- Outcome of collective agreements signed with labour unions concerning occupational health and safety	48; 49
10	- Frequency and severity of work-related accidents and occupational diseases	50
	e) Training	
11	- Policies implemented concerning training	49
12	- Total number of training hours	51
	f) Equal opportunity	
13	- Measures taken to promote gender equality	48
14	- Measures taken to promote the employment and integration of people with disabilities	48; 49
15	- Policy against discrimination	48; 49
	g) Promotion of and compliance with ILO conventions	
16	- Respect for freedom of association and collective bargaining	77
17	- Abolition of discrimination in employment and occupation	77
18	- Abolition of forced or compulsory labour	77
19	- Effective abolition of child labour	77

	Information provided under Article 225 of the Grenelle II Decree of 24 April 2012	Page(s) in the 2013 management report
ENVIRONMEMENTAL		
2° Environmental Information		
	a) Environmental policy	
20	- Organisation of the company to take environmental concerns into account. Environmental assessment and certification approaches	52
21	- Employee training and information on environmental protection	43; 49
22	- Total investments and expenditures to prevent environmental risks and pollution	67 to 70
23	- Total provisions and guarantees for environmental risks, except where this information is likely to cause serious prejudice to the company in an ongoing lawsuit	52
	b) Pollution and waste management	
24	- Measures to prevent, reduce and clean up environmentally harmful emissions and discharges into the air, water and soil	64; 65
25	- Measures to prevent, recycle and eliminate waste	64; 65
26	- Measures to mitigate noise pollution and all other types of pollution specific to an activity	26; 70
	c) Sustainable use of resources	
27	- Water use and water withdrawals in relation to local resources	62; 63
28	- Consumption of raw materials and measures to improve their efficient use	69
29	- Energy consumption and measures to improve energy efficiency and use renewable energy sources	54 to 57
30	- Land use	70
	d) Climate change	
31	- Greenhouse gas emissions	57 to 59
32	- Measures to adapt to climate change	54; 55
	e) Protection of biodiversity	
33	- Measures taken to preserve or develop biodiversity	59 to 62
SOCIETAL		
3° Information on societal commitments to promote sustainable development		
	a) Regional, economic and social impact of the company's activities	
34	- Impact on employment and regional development	77
35	- Impact on local and neighbouring communities	26; 70
	b) Relations with stakeholders, notably mainstreaming associations, educational institutions, environmental associations, consumer associations and neighbouring communities	
36	- Relations with individuals or organisations concerned by the company's activities	72
37	- Partnership or sponsorship programmes	81
	c) Sub-contracting and suppliers	
38	- Inclusion of social and environmental concerns in purchasing policy	76; 77
39	- Importance of sub-contracting and integration of corporate social and environmental responsibility in relationships with suppliers and sub-contractors	77
	d) Fair operating practices	
40	- Measures to prevent corruption	77
41	- Measures to preserve consumer health and safety	65 à 67
	e) Human rights	
42	Other measures to promote human rights	77

Report of one of the Statutory Auditors, designated as independent third-party entity, on the consolidated environmental, social and societal information published in the management report Year ended 31 December 2013

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English speaking readers.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the attention of the Shareholders,

In our capacity as Statutory Auditor of Société Foncière Lyonnaise, and designated as independent third-party entity, whose certification request has been approved by the French National Accreditation Body (COFRAC), we hereby present you with our report on the social, environmental and societal information prepared for the year ended December 31, 2013 presented in the management report included in the annual report (hereinafter the "CSR Information"), pursuant to Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the company

The Board of Directors of Société Foncière Lyonnaise is responsible for preparing a management report including the CSR Information provided by Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting criteria used by Société Foncière Lyonnaise (the "Reporting Criteria"), some of which are presented throughout the management report and which are available on request from the Human Relations & Environmental executive management teams.

Independence and quality control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR information);
- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria (Formed conclusion on the fair presentation of the CSR Information).

Our work was carried out by a team of four people between January and March 2014, i.e. a period of around three weeks. To assist us in conducting our work, we referred to our corporate responsibility experts.
We conducted the following procedures in accordance with professional standards applicable in France, with the order of 13 May, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the formed conclusion on the fair presentation of the Information, with the ISAE (International Standard on Assurance Engagements) 3000.

1. Attestation of completeness of the CSR Information

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the company's business and its societal commitments and, where appropriate, any resulting actions or programs.
We have compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.
In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.
We have verified that the CSR Information covered the consolidated scope, i.e., the company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth in the methodological memo paragraph 5.3.1 presented in the Annual Report.
Based on our work and considering the limitations mentioned above, we attest that the required CSR Information is presented in the management report.

2. Limited assurance on the fair presentation of the CSR Information

Nature and scope of procedures

We conducted 4 interviews with people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to :

- assess the suitability of the Reporting Criteria with respect to its relevance, completeness, reliability, neutrality and clarity, taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the CSR Information with regard to its completeness and consistency. Familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR information that we have considered to be most important[1]:

- for the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;
- for a representative sample of entities and sites that we have selected according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample represented 100% of the Group headcount and an average of 24% of quantitative environmental information.

(1) Quantitative environmental data: Water use (m^3), Power consumption (kWh), Heating fuel consumption (kWh), Urban heating and cooling system consumption (kWh), Energy use intensity (kWh/m^2/year), Greenhouse gas emissions (tones eq CO_2/an).

Quantitative social data: Total employee numbers by type of contract (fixed-term/permanent), gender, category, age group and location, New hires by type of contract, gender, category, and age group, Number of terminations by reason, total payroll, Absenteeism, Number of reported and recognized lost-time workplace accidents, Number of reported and recognized lost-time commuting accidents, Number of working days lost as a result of workplace accidents, Number of working days lost as a result of commuting accidents, Accident frequency rate, Accident severity rate, Number of recognized and reported occupational illnesses, Total number of training hours.

Qualitative environmental data: Employee training and information on environmental protection, Measures to prevent, recycle and eliminate waste, Measures to mitigate noise pollution and all other types of pollution specific to an activity.

Qualitative social data: Employee compensation and evolution, Measures taken to promote gender equality.

Qualitative societal data: Regional, economic and social impact of the company's activities on employment and regional development and on local and neighboring communities, Importance of sub-contracting and integration of corporate social and environmental responsibility in relationships with suppliers and sub-contractors, Measures to prevent corruption.

GRI self-assessment: Self-assessment level A+ of annual report 2013 in accordance with Global Reporting Initiative (GRI, version 3.1) and its sector supplement (CRESS).

(2) Sites for the quantitative social data : Société Foncière Lyonnaise et Locaparis.
Sites for quantitative environnemental data : Galerie des Champs, 103 Grenelle, 96 Iéna et 112 Wagram.

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.
We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Reporting Criteria.

Neuilly-sur-Seine, 21 March 2014
One of the Statutory Auditors,
Deloitte & Associés

Christophe Postel-Vinay
Partner

7. Appendices

Appendix 7.1 – Board of Directors' Special Report to the Annual General Meeting of 24 April 2014 on Stock Options (drawn up in accordance with Article L.225-184 of the French Commercial Code)

In compliance with Article L.225-184 of the French Commercial Code we hereby report to shareholders on stock options granted and exercised during the year ended 31 December 2013.

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

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

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

4) No stock options were granted in 2013 by SFL or any related companies to any employees of the Company other than the Chief Executive Officer or the Managing Director.

5) No employees of the Company other than the Chief Executive Officer or the Managing Director exercised any options on shares in the companies mentioned in 1) and 2) above in 2013.

The Board of Directors

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

To the shareholders,

In compliance with Article L. 225-197-4-1 of the French Commercial Code, we hereby present our 2013 report to shareholders on performance share plans for employees and executives who do not hold over 10% of the Company's capital.

On 5 March 2013, the Board of Directors decided to use the authorisation given by the Annual General Meeting of 9 May 2011 to set up two performance share plans and to grant a total of 52,716 performance share rights to employees and officers of the Company and related entities within the meaning of Article L.225-197-2 of the French Commercial Code as follows:

1. Framework for the performance share grants

1.1 Authorisation

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

1.2 Grants under Plan 1

In line with the recommendation of the Remunerations and Selection Committee, the Board of Directors decided to grant 52,716 shares to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives as a long-term incentive bonus, and to other employees of the Group entities.

1.3 Purpose of the share grants

The main purpose of Plan 1 was to set up a profit-related long-term incentive plan for the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives that the Company is particularly interested in incentivising. Plan 1 was extended to all employees of SFL and the other Group entities in order to give them a stake in the Company's growth, in line with the requirements of Article L.225-197-6 of the French Commercial Code.

2. Characteristics of the performance share plan

2.1 Number of performance shares granted on 5 March 2013

The Annual General Meeting of 9 May 2011 authorised the Board of Directors to grant performance shares representing up to 1% of the number of SFL shares outstanding on the Meeting date.
The Board of Directors decided to use this authorisation to grant 52,716 performance shares.

2.2 Vesting period and performance criteria

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the award date (i.e. for this award, the year ended 31 December 2015).

Continuing presence within the Group

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

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated adjusted net asset value (ANAV) per share over the vesting period for each of the plans, as calculated by adding back dividends paid in each year of said period.

2.3 Lock-up period

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

3. Type of shares and rights attached to the shares

The shares will be subject to all the provisions of the law and the Company's articles of association and will carry rights from the date when they vest, including rights to all dividends paid and other distributions made after said date. Grantees will be required to comply with the lock-up obligation(s) referred to above.

4. Admission to trading

If the Board of Directors decides to issue new shares (rather than choosing the option of delivering existing shares) under Plan 1, an application will be made for the shares to be admitted to trading on NYSE Euronext Paris in compartment A.

On 5 March 2013, based on the recommendation of the Remunerations and Selection Committee, the Board of Directors decided to award 29,962 performance share rights to the Chairman, the Chief Executive Officer and the Managing Director. A description of this plan (Plan 1), prepared in application of Articles 212-4-5 and 212-5-6 of the General Regulations of France's securities regulator (AMF), is provided in this document.
Of the 29,962 performance shares, 21,843 were awarded to the Chief Executive Officer, Bertrand Julien-Laferrière, 4,369 to the Managing Director, Nicolas Reynaud, and 3,750 to the Chairman of the Board, Juan José Brugera Clavero.

In accordance with the AFEP-MEDEF Corporate Governance Code, for performance shares granted to the Chairman, the Chief Executive Officer and the Managing Director, the number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated adjusted net assets (ANAV) per share over the vesting period for each of the plans, as calculated by adding back dividends paid in each year of said period.

As recommended in the AFEP-MEDEF Corporate Governance Code, after the end of the statutory 2-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director are required to keep 40% of the shares for the remainder of their period of service with the Company, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Also in line with the recommendations in the AFEP-MEDEF Code, the Chairman, the Chief Executive Officer and the Managing Director have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

The Board of Directors

Appendix 7.3 – Five-year Financial Summary (parent company, in €)

(prepared in accordance with Article R. 225-102 of the French Commercial Code)

	2009	2010	2011	2012	2013
Financial position at the year-end					
I. Capital at 31 December					
Share capital	93,011,352	93,057,948	93,057,948	93,057,948	93,057,948
Number of ordinary shares outstanding	46,505,676	46,528,974	46,528,974	46,528,974	46,528,974
Par value	2.00	2.00	2.00	2.00	2.00
Number of potential ordinary shares to be issued:					
- On conversion of convertible bonds	–	–	–	–	–
- On exercise of warrants	–	–	–	–	–
II. Results of operations					
Net revenue	130,513,358	130,779,707	99,194,508	94,646,561	79,595,681
Profit/(loss) before tax, depreciation, amortisation and provisions	120,028,141	90,116,934	70,519,256	(9,444,008)	84,937,737
Income tax expense/(benefit)	386,328	(386,328)	3,752,786	2,224,773	14,110,955
Net profit/(loss)	31,566,023	97,098,358	42,547,038	(41,971,858)	44,843,906
Ordinary dividends	97,661,920	97,710,845	65,140,564	65,140,564	97,710,845
Special dividends	–	–	32,570,282	32,570,282	–
III. Per share data					
Earnings per share after tax, before depreciation, amortisation and provisions	2.57	1.95	1.43	(0.25)	1.52
Earnings/(loss) per share	0.68	2.09	0.91	(0.90)	0.96
Ordinary dividend per share	2.10	2.10	1.40	1.40	2.10
Special dividend per share	–	–	0.70	0.70	–
IV. Employee data					
Number of employees at year-end	70	70	71	70	66
- Of which building staff	*3*	*3*	*2*	*2*	*2*
Total payroll	6,511,026	6,778,433	7,024,460	7,111,629	7,728,387
Total benefits	3,098,388	3,202,378	3,331,603	3,201,255	3,213,249

Appendix 7.4 – Financial Authorisations

In accordance with Article L.225-100 of the French Commercial Code, the table below provides a summary of the currently valid authorisations to increase the capital granted to the Board of Directors by shareholders pursuant to Articles L.225-129-1 and L.225-129-2 of said Code. The table also provides information on the use of these authorisations during 2013.

Date of AGM	Authorisation or delegation of competence	Used/ unused in 2013	Duration of authorisation
18 April 2013	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.	Unused	26 months
18 April 2013	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer.	Unused	26 months
18 April 2013	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code.	Unused	26 months
18 April 213	Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares without pre-emptive subscription rights, through a public placement or a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting.	Unused	26 months
18 April 2013	Authorisation given to the Board of Directors, in the case of a share issue with or without pre-emptive subscription rights, to increase the number of shares offered.	Unused	26 months
18 April 2013	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company.	Unused	26 months
18 April 2013	Delegation of powers to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company, other than in connection with a public exchange offer made by the Company.	Unused	26 months
18 April 2013	Delegation of competence to the Board of Directors to issue securities with rights to debt securities.	Unused	26 months
18 April 2013	Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.	Unused	26 months
18 April 2013	Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan.	Unused	26 months
9 May 2011	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
9 May 2011	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers(1).	Used	38 months

(1) The Board of Directors used this authorisation to set up two performance share plans, on 16 February 2012 and 5 March 2013, respectively. Note that the authorisation is still in effect to the extent that the ceiling set by the General Meeting has not yet been reached.

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

In accordance with Article L.225-37 of the French Commercial Code, we present below our report on the membership of the Board of Directors and the Board's application of the principle of gender balance, the practices of the Board of Directors and the Company's internal control and risk management procedures. It also describes the restrictions on the powers of the Chief Executive Officer imposed by the Board of Directors.

This report covers the period from 1 January to 31 December 2013 and was prepared by management with input from the Audit Committee. It was approved by the Audit Committee on 3 March 2014 and by the Board of Directors on 4 March 2014.

1. Corporate Governance

1.1. Reference to the AFEP-MEDEF Corporate Governance Code

The Company refers to the AFEP-MEDEF Corporate Governance Code for listed companies, as revised in June 2013.

The Code can be downloaded from the MEDEF website (www.medef.fr - rubrique Gouvernement d'entreprise).

The factors that could have an impact in the event of a public tender offer for the Company's shares are presented on pages 36 to 40.

See also section 4.3 "Risk factors", page 22.

Standard & Poor's rating: BBB-/A-3, stable outlook

Issue	AFEP-MEDEF recommendation	SFL's situation	Explanation
Proportion of independent directors on the board	At least one third of directors on the boards of controlled companies should be independent (Art. 9.2)	3 of the 14 directors are independent	The Board is keeping this issue under review, taking into account the Company's specific features
Proportion of independent directors on the audit committee	At least two-thirds of the audit committee members should be independent (Art. 16.1)	2 of the 4 Audit Committee members are independent directors	The Board is keeping this issue under review, taking into account the Company's specific features
Proportion of independent directors on the remunerations and selection committee	The majority of members of the remunerations and selection committee should be independent, including the committee's chairman, and no executive directors should be members (Art. 17.1)	2 of the 4 Remunerations and Selection Committee members are independent directors, the Committee Chairman is not independent and the Chairman of the Board is a member	The Board is keeping this issue under review, taking into account the Company's specific features
Independence criteria applied to directors Period served on the Board	To be qualified as independent, a director should not have served on the board for more than 12 years (Art. 9.4)	This criterion is not applied to determine whether directors are independent	The Board is keeping this issue under review, taking into account the Company's specific features
Proportion of women board members	At least 20% of the board members should be women, as from the 2013 AGM (Art. 6.4)	2 of the 14 Board members are women	The Board's membership is being changed in response to this recommendation
Directors' fees	Directors' fees should comprise a significant variable portion that takes into account each director's attendance rate at board meetings and meetings of board committees (Art. 21.1)	Directors' fees do not take into account each director's attendance rate	Directors' fees are relatively low compared with the amounts paid by companies in SFL's peer group
Termination benefit for the Chief Executive Officer	An executive director may not be indemnified, unless his or her departure is imposed (...), and linked to a change in control or strategy (Art. 23.2.5)		

1.2 Members of the Board of Directors and the Management Committee at 31 December 2013

Article 15 of the Articles of Association (version dated 14 June 2011) states that the Board of Directors must have between 3 and 16 members.

SFL's Board of Directors had 14 members as of 31 December 2013, including 9 representing the majority shareholder Colonial, 2 (Jean-Jacques Duchamp of Prédica and Reig Capital Group, Luxembourg, represented by Alejandro Hernández-Puértolas) representing significant minority shareholders and 3 independent directors (Anthony Wyand, Jean Arvis and Jacques Calvet).

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

The Chairman of the Board is Juan José Brugera Clavero. The Chief Executive Officer is Bertrand Julien-Laferrière, who is assisted by Nicolas Reynaud, Managing Director.

Director	Age	Position Number of SFL shares held	Date first elected, current term, date when current term expires	Business address
Juan José BRUGERA CLAVERO Nationality: Spanish	67	Chairman of the Board 25 shares	First elected: 2004 Re-elected: 2008 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	Avenida Diagonal 532, 08006 Barcelona (Spain)
Jean ARVIS* Nationality: French	78	Director 500 shares	First elected: 1987 Current term expires: 2014, at the Annual Meeting to be called to approve the 2013 financial statements	40 rue Washington 75008 Paris (France)
Jacques CALVET* Nationality: French	82	Director 825 shares	First elected: 1999 Re-elected: 2008 Current term expires: 2014, at the Annual Meeting to be called to approve the 2013 financial statements	40 rue Washington 75008 Paris (France)
Aref LAHHAM Nationality: American	49	Director 25 shares	First elected: 2010 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	2 Cavendish Square W1G OPD London (UK)
Jean-Jacques DUCHAMP Nationality: French	59	Director 25 shares	First elected: 2004 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	16 Boulevard de Vaugirard 75015 Paris (France)
Anne-Marie de CHALAMBERT Nationality: French	70	Director 25 shares	First elected: 2010 Current term expires: 2014, at the Annual Meeting to be called to approve the 2013 financial statements	40 rue Washington 75008 Paris (France)
Carmina GAÑET CIRERA Nationality: Spanish	45	Director 30 shares	First elected: 2009 Current term expires: 2014, at the Annual Meeting to be called to approve the 2013 financial statements	Avenida Diagonal 532 08006 Barcelona (Spain)
Luis MALUQUER TREPAT Nationality: Spanish	58	Director 400 shares	First elected: 2010 Current term expires: 2014, at the Annual Meeting to be called to approve the 2013 financial statements	Rambla de Catalunya 123, 6ª Planta 08036 Barcelona (Spain)

Director	Age	Position Number of SFL shares held	Date first elected, current term, date when current term expires	Business address
Pere VIÑOLAS SERRA Nationality: Spanish	51	Director 1,825 shares	First elected: 2008 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	Avenida Diagonal 532 08006 Barcelona (Spain)
Anthony WYAND* Nationality: British	70	Director 100 shares	First elected: 1995 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	40 rue Washington 75008 Paris (France)
Carlos LOSADA MARRODAN Nationality: Spanish	56	Director 25 shares	First elected: 2010 Current term expires: 2015, at the Annual Meeting to be called to approve the 2014 financial statements	Avenida Pedralbes 60.62 08034 Barcelona (Spain)
Carlos FERNANDEZ-LERGA GARRALDA Nationality: Spanish	64	Director 50 shares	First elected: 2008 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	Monte Esquinza, 14-7°D 28010 Madrid (Spain)
Bertrand LETAMENDIA Nationality: French	67	Director 100 shares	First elected: 2010 Current term expires: 2014, at the Annual Meeting to be called to approve the 2013 financial statements	30 rue de la Ferme, 92200 Neuilly-sur-Seine (France)
REIG CAPITAL GROUP Luxembourg,		Director 2,038,956 shares	First elected: 2007 Current term expires: 2016, at the Annual Meeting to be called to approve the 2015 financial statements	
represented by **Alejandro HERNANDEZ-PUERTOLAS** Nationality: Spanish	42			Paseo de Gracia 79 principal 108008 Barcelona (Spain)

* Independent director.

Experience and expertise represented on the Board of Directors at 31 December 2013

Juan José Brugera Clavero, studied industrial engineering at the EUITI Terrassa engineering school and earned an MBA from the ESADE business school. He began his career in 1967 as a lecturer at the Terrassa and La Salle engineering schools, before joining Inter Grundig as an engineer in 1968. He moved to Banco Atlantico in 1971, where he worked in sales and logistics until 1975. Between 1972 and 1988, he also lectured in economics (1972-1975) and bank management (1975-1988) at the ESADE business school, and was subsequently appointed honorary Vice-Chairman of the school's Foundation in 1989 and Chairman in 1999, a position he held until 2005. From 1975 to 1987, he occupied various positions at BancoSabadell. He moved to Sindibank as Chief Executive Officer in 1987 and held the same position at Colonial from 1994 to 2006 – serving as a director of SFL from 2004 to 2006 – and at Mutua Madrilena from 2006 to 2007, before becoming Chairman of Panrico, a position he held until 2010. He has been Chairman of Colonial since 2008. He is also President of Ramon Llull University (Barcelona) and Doctor Honoris Causa of the University of Rhode Island (USA).

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

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

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

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

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

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

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

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

Aref Lahham is a civil engineer with degrees from Cornell University (M.Eng.) and Purdue University (B.Sc.) He began his career in 1986 as a structural engineer with Leslie E. Robertson Associates in New York. In 1990, he began the MBA programme at the INSEAD business school in Fontainebleau, France, and on graduation joined Segece-Compagnie Bancaire as Director, Shopping Centre Projects. In 1992, he was chosen by LaSalle Partners, a firm of property consultants, to open their London office. In 1994, he opened the Paris office which he managed until 1999. During this period, he participated in the purchase of bank receivables in France and managed the Francilienne fund, which acquired several office buildings in France. He also served as Chief Executive Officer of Lafayette Partenaires, a subsidiary of Société Générale. In 1999, with two partners, he set up Orion Capital Managers, which he continues to manage and which has sponsored several European property funds. These funds' combined portfolio of European properties totals more than €4 billion.

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

Bertrand Letamendia is a graduate of ESSEC business school who has spent his entire career in property. Between 1997 and 2008, he was successively Development Manager at STIM (Bouygues Group), Director at Kaufman & Broad and Property Director at AGF. From 1998 to 2012, he served as a member of the Supervisory Board of Klépierre. In 2009, he set up AITA Conseils SAS, a firm of economic, marketing and property consultants.

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

Carlos LOSADA MARRODAN holds a doctorate in management sciences from ESADE-Universitat Ramon Llull, a law degree from Barcelona University (1979), an MBA from ESADE (1980) and a diploma from Harvard University (1994). He held a variety of positions with the Catalan regional government, of which the most recent was Secretary General of the Public Administration and Civil Service. He served as an expert in public sector management and modernisation for the United Nations Management Development Programme (PNUD-MDP) and the Inter-American Development Bank (BID). He has been an Associate Professor in the ESADE Business Policy Department since 1988, specialising in business administration, corporate strategy and public management. He was Chief Executive Officer of ESADE from 2000 to 2010.

Changes in the membership of the Board of Directors during 2013

Director	Re-elected	Elected	Resigned	Comments
Juan José BRUGERA CLAVERO	AGM of 18 April 2013	-	-	Re-elected for a three-year term
Jean ARVIS	AGM of 18 April 2013	-	-	Re-elected for a one-year term
Jacques CALVET	AGM of 18 April 2013	-	-	Re-elected for a one-year term
Jean-Jacques DUCHAMP	AGM of 18 April 2013	-	-	Re-elected for a three-year term
Aref LAHHAM	AGM of 18 April 2013	-	-	Re-elected for a three-year term
Père VIÑOLAS SERRA	AGM of 18 April 2013	-	-	Re-elected for a three-year term
Carlos FERANDEZ-LERGA GARRALDA	AGM of 18 April 2013	-	-	Re-elected for a three-year term
Anthony WYAND	AGM of 18 April 2013	-	-	Re-elected for a three-year term
REIG CAPITAL GROUP Luxembourg Sarl	AGM of 18 April 2013	-	-	Re-elected for a three-year term

Gender balance on the Board of Directors

Of the fourteen members of the Board of Directors, two are women.

The Company does not yet comply with the recommendation in the AFEP-MEDEF Code, which states that at least 20% of board members should be women as from the 2013 annual general meeting (i.e. three women in the case of SFL).

In addition, the French Act no. 2011-103 (Article 5-II-1) imposes a quota of 20% women as from the first annual general meeting held after 1 January 2014.

The membership of SFL's Board of Directors is being changed at this Meeting to comply with this gender balance rule.

Independent directors

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

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

- The director is not an employee or corporate officer ("*mandataire social*") of the company, nor an employee or director of its parent or of one of its consolidated subsidiaries, and has not been one during the previous five years.

- The director is not a customer, supplier, investment banker or commercial banker that is material for the company or its group or for which the company or its group represents a material proportion of the entity's activity.

- The director does not have any close family ties with a corporate officer ("*mandataire social*") of the company.

- The director has not been an auditor of the company over the past five years.

- The director has not been a director of the company for more than twelve years.

- The director is not a significant shareholder of the company.

- The director is not a corporate officer ("*mandataire social*") of a company in which the company holds, either directly or indirectly, a directorship, or in which a directorship is held by an employee of the company designated as such or by a current or former (going back five years) corporate officer of the company.

The Board of Directors applies all of the above criteria except the one stipulating that the director should not have served on the board for more than 12 years. It considers that professional experience and an objective perspective on the Company's business represent a meaningful criterion.

Based on the above criteria, the Board of Directors considers that three directors qualify as independent:
– Anthony WYAND,
– Jacques CALVET,
– Jean ARVIS.

1.3 Directorships and other positions held by the members of the Board of Directors

Juan José BRUGERA CLAVERO

First elected: 2004
Current term expires in 2016
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2013:

In France – SFL Group:
– **Chairman of the Board**
  • Société Foncière Lyonnaise

Outside France (Spain):
– **Director and Chairman**
  • Inmobiliaria Colonial (SA) (listed company)

Other directorships and positions held in the past five years:
– **Chief Executive Officer**
  • Société Foncière Lyonnaise (SA)
– **Chairman**
  • Panrico (Spain)
  • ESADE (Spain)
– **Director**
  • Creapolis S.L. (Spain)
  • Mapfre Regional Council (Spain)

Jean ARVIS

First elected: 1987

Current term expires in 2014

Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Legal Manager**
  - SCI Saint-Germain 176
  - Groupement Forestier de l'Arverne

Outside France:

– **Chairman**
  - Alma Capital Europe (Luxembourg)
  - Atlas Finances Conseil (Morocco)
  - Massinissa (Morocco)

– **Director**
  - Scor US
  - Scor Canada
  - Wafa (Morocco)
  - Azbenar (Morocco)

Other directorships and positions held in the past five years:

– **Director**
  - Adyal
  - IMI
  - AXA Sun Life Monitoring Board (United Kingdom)
  - Friends Provident Monitoring Board (United Kingdom)

– **Non-voting director**
  - Gimar
  - Compagnie Financière Saint-Honoré (CFSH Rothschild)

– **Non-executive Chairman**
  - GFC (Groupement Français de Caution)

– **Legal Manager**
  - Gestion Conseil Administration Monceaux – CGA (SARL)

Jacques CALVET

First elected: 1999

Current term expires in 2014

Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise:

In France – Outside the SFL Group:

– **Director**
  - Laser Cofinoga (SA)
  - Laser (SA)
  - Cottin Frères (SA) (listed company)
  - Le Meilleur Holding (SAS)

– **Vice Chairman and Member of the Supervisory Board**
  - Société Anonyme des Galéries Lafayette (SA)

– **Chairman of the Supervisory Board**
  - Bazar de l'Hôtel de Ville - BHV (SAS)

– **Honorary Chairman**
  - BNP Paribas (listed company)

– **Advisor**
  - Banque de France

– **Honorary advisor**
  - Cour des Comptes (French National Audit Office)

Other directorships and positions held in the past five years:

– **Director**
  - Aldeta (SA)
  - Icade (SA)
  - Novarte (SAS)

– **Non-voting director**
  - Société Foncière Lyonnaise (SA)
  - Cottin Frères (SA)
  - EPI - Société Européenne de Participations Industrielles (SAS)
  - Agence H (exScherlafarge)

Anne-Marie DE CHALAMBERT

First elected: 2010

Current term expires in 2014

Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise:

In France – Outside the SFL Group:

– **Director**
  - Nexity (SA) (listed company)
  - Mercialys (SA) (listed company)

– **Chairman**
  - AMCH (SASU)

– **Member of the Investment Committee**
  - Institut Pasteur

Other directorships and positions held in the past five years:

– **Chairman of the Board**
  - Generali Immobiliare (SA) (Italy)
  - Generali Real Estate Europe (SA)

– **Chairman of the Supervisory Board**
  - Generali Immobilier Gestion (SA)
  - Generali Immobilier Conseil (SA)

– **Permanent representative Generali Vie, Member of the Supervisory Board**
  - Foncière des Régions (SA)
  - Foncière des Logements (SA)

– **Permanent representative Generali IARD, Director**
  - Silic (SA)

– **Director then Vice Chairman**
  - FSIF - Fédération des Sociétés Immobilières et Foncières

Jean-Jacques DUCHAMP

First elected: 2004

Current term expires in 2016

Business address: 16 Boulevard de Vaugirard - 75015 Paris (France)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**
  - Crédit Agricole Immobilier (SA)
  - CPR - Asset Management (SA)
  - Pacifica (SA)
  - Spirica (SA)

– **Permanent representative of Crédit Agricole Assurances, Director**
  - Dolcéa Vie (SA)

– **Permanent representative of Prédica, Director**
  - Sanef (SA)
  - Gecina (SA) (listed company)

– **Deputy Managing Director**
  - Crédit Agricole Assurances (SA)

– **Member of the Supervisory Board**
  - Korian (SA) (listed company)

Outside France:

– **Director**
  - CA Vita (SA), (Italy)

Other directorships and positions held in the past five years:

– **Director**
  - Previseo Obsèques
  - Unimo (SAS)
  - Foncière des Régions
  - Bes Vida (SA), (Portugal)

Carlos FERNANDEZ-LERGA GARRALDA

First elected: 2008

Current term expires in 2016

Address: Monte Esquinza, 14-7°D - 28010 Madrid (Spain)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

Outside France (Spain):

– **Director**
- Inmobiliaria Colonial (SA) (listed company)
- EUR - Consultores SL

– **Director and Chairman of the Board**
- Iberdrola Ingenieria y Construccion S.A.U.

Other directorships and positions held in the past five years:

– **Director**
- Abantia Empresarial SL (Spain)
- Gamesa Corporación Tecnológica (SA)

Carmina GAÑET CIRERA

First elected: 2009

Current term expires in 2014

Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**
- SIIC de Paris (SA) (listed company)

Outside France (Spain):

– **Chief Executive Officer – Corporate Division**
- Inmobiliaria Colonial (SA) (listed company)

Other directorships and positions held in the past five years:

None

Aref LAHHAM

First elected: 2010

Current term expires in 2016

Business address: 2 Cavendish Square - W1G OPD London (United Kingdom)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Chairman**
- Orion Capital Managers France (SAS)
- CIB Management (SAS)
- Representative of CIB Management SAS, Managing Partner
- CIB - Compagnie Immobiliere Beltegeuse (SCA) EDG

Outside France:

– **Legal Manager**
- Orion Holding Belgium III Sparl (Belgium) (term expired during the year)
- RE Galaxy III Sarl (Luxembourg)
- RE Constellation II Sarl (Luxembourg)
- Swan Constellation II Sarl (Luxembourg)

– **Director**
- Orion Capital Managers (Spain) SL (Spain)
- Orion Capital Managers (UK) Limited (United Kingdom)
- Orion Capital Managers (OCM) Limited (United Kingdom)
- OCM Holdings, L.L.C. (United States)
- Fund IV Holdings LLC (Delaware Limited Liability Company) (United States)
- Orion European Manager, L.L.C. (United States)
- Orion European Partner B.V. (Netherlands)
- RE Constellation I BV (Netherlands)
- Swan Constellation BV (Netherlands)
- Stichting Aministratiekantoor RE Constellation I (Netherlands)
- Grimsta 5 :558 AB (Sweden)
- Infracity AB (Sweden) (term expired during the year)
- Orion Capital Managers (Italy) Srl (Italy)

Other directorships and positions held in the past five years:

– **Legal Manager**
- Orion Capital Managers (Germany) GmbH (Germany)
- Orion Twelfth Immobilien GmbH (Germany)
- Orion Income Master Luxembourg Sàrl (Luxembourg)
- Orion Master Luxembourg Sàrl (Luxembourg)
- Orion Master II Luxembourg Sàrl (Luxembourg)
- Orion Master III Luxembourg Sàrl (Luxembourg)
- Orion Immobilien Bellatrix Sàrl (Luxembourg)
- OIRP Investment 1 Sàrl (Luxembourg)

- OIRP Investment 2 Sàrl (Luxembourg)
- OIRP Investment 3 Sàrl (Luxembourg)
- OIRP Investment 4 Sàrl (Luxembourg)
- OIRP Investment 6 Sàrl (Luxembourg)
- OIRP Investment 7 Sàrl (Luxembourg)
- OIRP Investment 8 Sàrl (Luxembourg)
- OIRP Investment 9 Sàrl (Luxembourg)
- OIRP Investment 10 Sàrl (Luxembourg)
- OIRP Investment 11 Sàrl (Luxembourg)
- Orion Asset France III Sàrl (Luxembourg)
- Orion Asset France Sàrl (Luxembourg)
- Orion Finance Luxembourg Sàrl (Luxembourg)
- Orion Finance II Luxembourg Sàrl (Luxembourg)
- Orion Finance III Luxembourg Sàrl (Luxembourg)
- Orion III European 2 Sàrl (Luxembourg)
- Orion III European 3 Sàrl (Luxembourg)
- Orion III European 4 Sàrl (Luxembourg)
- Orion III European 5 Sàrl (Luxembourg)
- Orion III European 8 Sàrl (Luxembourg)
- Orion III European 12 Sàrl (Luxembourg)
- Orion III European 13 Sàrl (Luxembourg)
- Orion Income Finance Luxembourg Sàrl (Luxembourg)
- Orion Income Partners Luxembourg Sàrl (Luxembourg)
- Orion Investment Partners Luxembourg Sàrl (Luxembourg)
- Orion Asset Italy Sàrl (Luxembourg)
- Orion European 1 Investments Sàrl (Luxembourg)
- Orion European 2 Investments Sàrl (Luxembourg)
- Orion European 5 Investments Sàrl (Luxembourg)
- Orion European 6 Investments Sàrl (Luxembourg)
- Orion European Alnilam Sàrl (Luxembourg)
- Orion Immobilien Christine Sàrl (Luxembourg)
- Orion Immobilien Saiph Sàrl (Luxembourg)
- Orion Holding Belgium Sparl (Belgium)
- Orion Holding Belgium II Sparl (Belgium)

– **Director**
- Orion Holding Italy 2 BV (Netherlands)
- Orion Holding Italy 1 BV (Netherlands)
- Orion Holding Spain BV (Netherlands)
- Orion Income Spain BV (Netherlands)
- Pyxis Immobiliare Srl (Italy)
- Eridanus Immobilare Srl (Italy)
- Perseus Immobilare Srl (Italy)
- Cepheus Immobiliare Srl (Italy)
- Andromeda Capman Holding SL (Spain)
- Andromeda Capman Propiedad SL (Spain)
- Canopus Capman Holding SL (Spain)
- Canopus Capman Propiedad SL (Spain)
- Orion Auriga SL (Spain)
- Orion Carina SL (Spain)
- Orion Columba SL (Spain)
- Orion Corona SL (Spain)
- Orion Kapella SL (Spain)
- Orion Tucana SL (Spain)
- Orderbide I Limited (United Kingdom)
- Orderbide II Limited (United Kingdom)
- G-City Fastigether AB (Sweden)
- F-City Fastigether AB (Sweden)

Bertrand LETAMENDIA

First elected: 2010

Current term expires in 2014

Business address: 30 rue de la Ferme, 92200 Neuilly-sur-Seine (France)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**
- Sogeprom (SA)

– **Chairman**
- AITA Conseils (SASU)

Outside France:

None

Other directorships and positions held in the past five years:

– **Real Estate Director – AGF Group**

– **Director**
- Immovalor Gestion

– **Member of the Supervisory Board**
- Klépierre (SA) (listed company)

– **Vice Chairman and Member of the Supervisory Board**
- Texavenir II (SAS)

– **Chairman**
- SAS AGF Saint-Marc
- SAS Kléber Lamartine
- SAS Kléber Longchamp
- SAS Kléber Passy
- SAS Société Commerciale Vernet
- SAS 48 Notre Dame des Victoires
- SAS Etablissements Paindavoine
- SAS Etoile Foncière et Immobilière
- SAS Financière Cogedim Laennec
- SAS INVCO
- SAS Madeleine Opéra
- SAS Société Foncière Européenne
- SAS Société de Négociations Immobilières et Mobilières Maleville "SONIMM"
- Vernon SAS

– **Legal Manager**
- SNC AIP
- SNC Allianz Bercy
- SNC Kléber Mirabeau
- SNC Laennec Rive Gauche
- SNC AGF Immobilier
- SNC Phénix Immobilier
- Allianz Immo 3 EURL
- Allianz France SARL
- EURL Business Vallée II
- EURL 20/22 Rue le Peletier
- SARL Relais de la Nautique
- SARL de l'Etoile
- SCCV 48-50 Henri Barbusse
- SCCV 33 rue La Fayette
- SCI 2, rue Largillière
- SCI 10, rue de Richelieu
- SCI 12, rue de Rambouillet
- SCI 16/18 avenue George 5
- SCI du 18 rue Vivienne
- SCI 25, rue Clapeyron
- SCI 30, rue Pergolèse
- SCI 40, Avenue Duquesne
- SCI Centre et Paris
- SCI Civilassur
- SCI Clichassur
- SCI Corepassur
- SCI Ingrassur
- SCI Martinassur
- SCI Mozartassur
- SCI Sogefo
- SCI VI Jaurès
- SCI Tour Michelet
- SCI Remaupin
- SCI 3 Route de la Wantzenau "Les Portes de l'Europe"
- SC Preylloyd Immobilier
- SCI Via Pierre I
- SCI Le Surmelin
- Société de Construction et de Gestion Immoblière des Mesoyers

Carlos LOSADA MARRODAN

First elected: 2010
Current term expires in 2015
Business address: Avenida Pedralbes 60.62, 08034 Barcelona (Spain)

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

Outside France:

– **Director and Chairman of the Audit and Control Commission**
- Gas Natural Fenosa, SA (Spain)

– **Director and Chairman of the Remunerations and Appointments Commission**
- InnoEnergy – European Company (Netherlands)

– **Director**
- Suma Capital (Spain)

Other directorships and positions held in the past five years:

– **Chairman of the Board**
- Clickair (SA) (Spain)

– **Director**
- Union Fenosa Gas (SA) (Spain)
- Cercle d'Economia (Spain)

Luis MALUQUER TREPAT

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

Directorships and other positions held in 2013:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

Outside France (Spain):

– **Director**
- Inmobiliaria Colonial (SA) (listed company)
- Maluquer Advocats, SCP
- Aldesago SL
- Filux, SA
- Vitek, SA
- M&M Entertainment, SL
- Fortunella, SL
- Pineapple Tree, SL
- Praeverto, SLP

Other directorships and positions held in the past five years:

– **Chairman of the Board**
- Balaguer 98 de Inversiones, Simcav, SA
- Inver 99 Sicav, SA

– **Director**
- Gaillac, SL

Pere VIÑOLAS SERRA

First elected: 2008
Current term expires in 2016
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2013:

In France – SFL Group:
– **Director**
  • Société Foncière Lyonnaise

In France – Outside the SFL Group:
– **Director**
  • SIIC de Paris (SA) (listed company)

Outside France (Spain):
– **Chief Executive Officer**
  • Inmobiliaria Colonial (SA) (listed company)
– **Director**
  • Electro-Stocks S.L.
  • Bluespace

Other directorships and positions held in the past five years:
– **Director**
  • Riva y Garcia
  • Mecanotubo

Anthony WYAND

First elected: 1995
Current term expires in 2016
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2013:

In France – SFL Group:
– **Director and Honorary Chairman**
  • Société Foncière Lyonnaise

In France – Outside the SFL Group:
– **Director**
  • Aviva France (SA)
  • Aviva Participations (SA)
  • Société Générale (SA) (listed company)
– **Legal Manager**
  • Chateau du Theil (SCI)

Outside France:
– **Director**
  • UniCredito (Italy)

Other directorships and positions held in the past five years:
– **Chairman**
  • Grosvenor Continental Europe (SAS)

Reig Capital Group Luxembourg SARL, represented by Alejandro Hernández-Puértolas

First elected: 2007
Current term expires in 2016
Business address: Paseo de Gracia 79 principal 108008 Barcelona (Spain)

Directorships and other positions held in 2013:

In France – SFL Group
– **Permanent representative of Reig Capital Group Luxembourg (Sàrl),** Director
  • Société Foncière Lyonnaise: ,

In France – Outside the SFL Group:
– **Member of the Supervisory Board**
  • Loris Azzaro (SAS)

Outside France:
– **Chairman and Chief Executive Officer**
  • Reig Capital Management (Spain)

Other directorships and positions held in the past five years:
– **Chief Executive Officer**
  • Reig Capital Hotels & Real Estate Division (Spain)

1.4 Board practices

1.4.1 Role of the Board of Directors

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

The Board's organisation and procedures are governed by the Company's Articles of Association and by the Board of Directors' internal rules.

A summary of the Board's internal rules and its ethical and corporate governance standards is available on-line at www.fonciere-lyonnaise.com. See also page 114.

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

The Board's prior authorisation is required for all acquisitions, disposals and financial commitments in excess of €20 million.

Once a year, the Board approves the following year's budget and the five-year business plan as prepared by management and reviewed by the Executive and Strategy Committee.

At its meeting on 5 October 2010, the Board of Directors decided to separate the positions of Chairman of the Board and Chief Executive Officer, in light of their different roles within the organisation and the Company's governance processes and size.

No specific tasks are assigned to the Chairman and no other director was assigned any specific tasks in 2013.

The Annual General Meeting of 18 April 2013 renewed the 26-month delegation of competence granted to the Board of Directors on 9 May 2011 to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €100 million.

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

- In the case of any share issue with or without pre-emptive subscription rights that is oversubscribed, to increase the number of shares offered.

- To issue ordinary shares and securities with rights to shares, without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL. The aggregate par value of ordinary shares that may be issued under this authorisation is capped at €100 million.

- To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL. The aggregate par value of ordinary shares that may be issued under this authorisation is capped at 10% of the Company's share capital.

- To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.

- To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.

- To issue ordinary shares for cash to employees and retired employees who are members of an Employee Share Ownership Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

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

- To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

- To make share grants to employees – or certain categories of employees – and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

Resolutions for the renewal of these authorisations of delegations of competence will be presented at the Annual General Meeting called to approve the Financial statements for the year ended 31 December 2013.

The shareholder authorisations concerning treasury shares are described on page 34.

1.4.2 Directors' conflicts of interests

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

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

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

1.4.3 Practices of the Board of Directors

BOARD MEETINGS

Article 19 of the Company's Articles of Association stipulates that the Board of Directors shall meet as frequently as necessary in the Company's interests and at least four times a year.

The Board of Directors met twelve times in 2013, with an average attendance rate of 88.10%.

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

The issues covered during the 2013 meetings were as follows:

Agenda of the 14 February 2013 meeting

1) APPROVAL OF THE MINUTES OF THE 19 DECEMBER 2012 MEETING
2) REVIEW OF THE 2012 FINANCIAL STATEMENTS, THE AUDIT COMMITTEE'S REPORT AND THE AUDITORS' REPORT.
3) DIVIDEND RECOMMENDATION
4) OTHER BUSINESS

Agenda of the 5 March 2013 meeting

1) APPROVAL OF THE MINUTES OF THE 14 FEBRUARY 2013 MEETING
2) PREPARATION OF THE ANNUAL GENERAL MEETING:
   - Notice of meeting and agenda
   - Approval of the resolutions to be tabled at the Meeting
   - Approval of the reports of the Board of Directors
   - Approval of the Chairman's report on corporate governance and internal control
3) PERFORMANCE SHARE GRANTS TO EMPLOYEES AND OFFICERS
4) OTHER BUSINESS
   - Authorisation to issue a guarantee covering the commitments of SAS Maud towards Intercontinental

Agenda of the meeting of 18 April 2013

1) APPROVAL OF THE MINUTES OF THE 5 MARCH 2013 MEETING
2) CONFIRMATION OF THE APPOINTMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS – POWERS AND REMUNERATION
3) OTHER BUSINESS
   - Forecasts and projections to be prepared in compliance with Article L.232-2 of the French Commercial Code

Agenda of the meeting of 6 June 2013

1) APPROVAL OF THE MINUTES OF THE 18 APRIL 2013 MEETING
2) PROCESS UNDERWAY FOR A CHANGE IN THE COMPANY'S CAPITAL AND DECISIONS TO BE MADE BY THE BOARD OF DIRECTORS IN THIS REGARD
3) OTHER BUSINESS
4) POWERS

Agenda of the meeting of 19 June 2013

1) APPROVAL OF THE MINUTES OF THE 6 JUNE 2013 MEETING
2) PROCESS UNDERWAY FOR A CHANGE IN THE COMPANY'S CAPITAL AND AUTHORISATION FOR A NEW INVESTOR TO ACCESS THE DATA ROOM
3) POWERS

Agenda of the meeting of 21 June 2013

1) PROCESS UNDERWAY FOR A CHANGE IN THE COMPANY'S CAPITAL AND AUTHORISATION FOR A NEW INVESTOR TO ACCESS THE DATA ROOM

Agenda of the meeting of 25 June 2013

1) PROCESS UNDERWAY FOR A CHANGE IN THE COMPANY'S CAPITAL AND AUTHORISATIONS TO ACCESS THE DATA ROOM
2) POWERS

Agenda of the 23 July 2013 meeting

1) APPROVAL OF THE MINUTES OF THE MEETINGS HELD ON 19, 21 AND 25 JUNE 2013
2) REVIEW OF THE 2013 INTERIM FINANCIAL STATEMENTS AND FIRST-HALF BUSINESS REVIEW, PROPERTY APPRAISALS, NAV, THE AUDIT COMMITTEE REPORT AND THE AUDITORS' REPORT
3) PROCESS CONCERNING A CHANGE IN THE COMPANY'S CAPITAL:
   - Proposal by the Committee of Independent Directors for the Board of Directors to be advised by an investment bank; choice of investment bank based on the Committee's recommendation.
   - Proposal by the Committee of Independent Directors concerning the protection of management: presentation to the Board of the Remunerations and Selection Committee's proposals on this issue.
4) OTHER BUSINESS

Agenda of the 29 August 2013 meeting:

1) PROCESS UNDERWAY FOR A CHANGE IN THE COMPANY'S CAPITAL AND AUTHORISATION FOR A NEW INVESTOR TO ACCESS THE DATA ROOM

Agenda of the 7 October 2013 meeting

1) APPROVAL OF THE MINUTES OF THE MEETINGS OF 23 JULY AND 29 AUGUST 2013
2) PROCESS UNDERWAY FOR A CHANGE IN THE COMPANY'S CAPITAL
3) PAYMENT OF A DIVIDEND AND RELATED PROCESS
4) OTHER BUSINESS
   - Forecasts and projections to be prepared in compliance with Article L.232-2 of the French Commercial Code
   - Exercise of the purchase option under the finance lease on the « Rives de Seine » building
   - Update on « Louvre des Antiquaires »

Agenda of the meeting of 18 November 2013

1) APPROVAL OF THE MINUTES OF THE 7 OCTOBER 2013 MEETING
2) UPDATE ON THE PROCESS CONCERNING A CHANGE IN THE COMPANY'S CAPITAL
3) 2013 FORECAST, 2014 BUDGET AND 2015-2018 BUSINESS PLAN
4) OTHER BUSINESS
   - Update on the LDA redevelopment project (based on the documentation sent to directors on 24 October 2013)
   - Proposed 2014 meeting schedule

Agenda of the 18 December 2013 meeting

1) APPROVAL OF THE MINUTES OF THE 18 NOVEMBER 2013 MEETING
2) MARENGO PROJECT
3) « LOUVRE-ST-HONORE » (LDA) PROJECT
4) 2014 BUDGET AND 2015-2018 BUSINESS PLAN
5) 2014 MEETING SCHEDULE

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

Bertrand JULIEN-LAFERRIERE
Chief Executive Officer

Nicolas REYNAUD
Managing Director
Chief Financial Officer

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

1.4.5 Measures taken by the Board of Directors to assess its performance

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

1.4.6 Adoption of the SIIC Code of Conduct

Responding to concerns raised by the French securities regulator (AMF) about certain SIICs that are primarily run by outside managers in exchange for significant fees, the French industry federation, FSIF, stated that this was the standard operating procedure for REITs all over the world.

However, at the AMF's request, FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and external service providers.

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

1.4.7 Corporate governance statements

To the best of the Company's knowledge:

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

1.4. 8 Other information

The main terms and conditions of shareholder agreements are described in the Management Report (see pages 38 to 40).

1.4.9 Related-party agreements and commitments

The Auditors' report on related-party agreements is on page 202.

1.5. Committees of the Board

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

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

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

Their members are appointed for the duration of their term as director (where applicable), or for a shorter period.

They may be removed by the Board or stand down at any time, without any reason having to be given.

The members of the committees have the same obligations of allegiance and confidentiality as the directors.

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

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

Audit Committee (five meetings in 2013, on 13 February, 4 March, 9 July, 22 July and 18 November; average attendance rate 85%)

Members of the Audit Committee in 2013:

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

The Audit Committee members' experience in the areas of finance and accounting is described on pages 101 and 102.

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

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

Assessment: the Committee is encouraged to assess its practices each year at the same time as the Board's practices are assessed.

The issues covered during the 2013 meetings were as follows:

Agenda of the 13 February 2013 meeting
1) Approval of the minutes of the 14 November 2012 meeting
2) Review of the 2012 financial statements
3) Recommendation on the choice of statutory auditors and substitute auditors
4) Other business

Agenda of the 4 March 2013 meeting
1) Approval of the minutes of the 13 February 2013 meeting
2) Report of the Chairman of the Board of Directors on corporate governance and internal audit
3) 2013 internal audit plan

Agenda of the 9 July 2013 meeting
1) Approval of the minutes of the 4 March 2013 meeting
2) Reports on internal audits of the following processes:
   - Lease signature process
   - Acquisition and disposal decision-making process
   - Cash management processes
3) Review of the internal auditors' preliminary conclusions on the organisation of work sites and the prevention of undeclared work
4) AMF internal audit questionnaire

Agenda of the 22 July 2013 meeting
1) Approval of the minutes of the 9 July 2013 meeting
2) Review of the interim financial statements
3) Other business: half-yearly "Risk Monitoring" score-card

Agenda of the 18 November 2013 meeting
1) Approval of the minutes of the 22 July 2013 meeting
2) Review of ongoing internal audit work: expense rebilling process (KPMG)
3) Review of the information systems project
4) Follow-up of implementation of the internal auditors' recommendations
5) 2014 work plan

Remunerations and Selection Committee (two meetings in 2013, on 12 February and 23 July, with an attendance rate of 100%)

Members of the Remunerations and Selection Committee in 2013:

Chairman:	Pere VIÑOLAS SERRA
Members:	Jean ARVIS
	Juan José BRUGERA CLAVERO
	Anthony WYAND

Two of the four members of the Remunerations and Selection Committee are independent directors. Due to the current composition of the Board, SFL has not yet applied the recommendation in the AFEP-MEDEF Corporate Governance Code that the Remunerations and Selection Committee should comprise a majority of independent directors and that no executive directors should be members.

Role:

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

Executive and Strategy Committee (one meeting in 2013, on 11 December, attendance rate 80%)

Members of the Executive and Strategy Committee in 2013:

Chairman:	Juan José BRUGERA CLAVERO
Members:	Jean-Jacques DUCHAMP
	Carmina GAÑET CIRERA
	Aref LAHHAM
	Pere VIÑOLAS SERRA

Role:

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

Committee of Independent Directors (two meetings in 2013, on 24 June and 15 July, attendance rate: 100%)

Discussions about the changes in SFL's ownership led the Board to create a Committee of Independent Directors on 14 February 2008. Its members are:

Members:	Jean ARVIS
	Jacques CALVET
	Anthony WYAND

The Committee meets separately from the full Board.

Its role is to make recommendations to the Board concerning any proposed transactions leading to a possible reorganisation of the Company's ownership structure.

During its meetings in 2013, the Committee discussed the potential benefits for SFL of Colonial's recapitalisation. It also recommended to the Board of Directors that an investment bank and a lawyer be retained to advise it.

1.6 Remuneration and benefits in kind paid to the Chairman, the Chief Executive Officer and the Managing Director

In 2013, the Board of Directors continued to apply the rules in force since 1 January 2009 for the allocation and payment of the directors' fees awarded to the Board of Directors by the Annual General Meeting. These fees are allocated as follows:

– Director or non-voting director:	€18,000 per year
– Member of a Committee of the Board:	€24,000 per year
– Chairman of the Board and/or of a Committee of the Board:	€36,000 per year

The Company does not apply the recommendation in the AFEP-MEDEF Corporate Governance Code that directors' fees should comprise a significant variable portion that takes into account each director's attendance rate at board meetings and meetings of board committees. The Board considers that the decision not to apply this recommendation is justified by the fact that the directors' fees paid by the Company are relatively low.

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

General Meetings are called in accordance with the applicable laws and regulations.

They are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.

The Board of Directors sends or makes available to shareholders the documents required to enable them to make informed decisions about whether to vote for resolutions and an informed judgement about the management of the Company's business.

Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting. If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions.

A written question is considered as having been answered when the reply is posted on the FAQs page of the Company's website.

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

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

These formalities must be completed no later than 12:00 a.m. CEST on the third day preceding the date of the Meeting.

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

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

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

If any such situation arises, the proxyholder must notify the shareholder without delay and the shareholder will then be required to formally confirm the proxy. Failing that, the proxy will not be valid and the proxyholder must notify the Company. Any individuals or entities other than a shareholder's spouse or civil partner that actively solicit proxies (for example, a minority shareholder or an organisation set up to defend shareholders' interests) by offering, directly or indirectly and by any method, to represent one or several shareholders, must disclose their voting policy. Said individuals or entities may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all proxies received without any voting instructions.
If a proxyholder fails to comply with any of the above obligations, the represented shareholder may ask the commercial court in the jurisdiction where the Company has its registered office to ban the proxyholder from acting in this capacity at all General Meetings of the Company for a period of up to three years. The Company may file a similar application but only if the proxyholder has breached the rules governing the active solicitation of proxies.

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

The process for the return of these forms is specified by the Board of Directors in the Notice of Meeting.

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

The Board of Directors may reduce or waive the time periods specified in this section II.

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

2. Internal control and risk management procedure

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

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

The pillars of the internal control system are:
- A standard set of procedures.
- Accountable operations, finance and audit teams.
- Collective decision-making processes.
- Segregation of duties between the authorisation of expenditure and the related payments.

Two major changes took place during 2011 that led to very significant improvements in the efficiency of internal control and risk management processes:
- First, the Company was reorganised around three areas of expertise.
- Second, the Company's governance rules were upgraded in a process led by the Audit Committee on behalf of the Board of Directors.

Internal reorganisation
The new organisation is built around three areas of expertise:
- Operations, encompassing the property, asset management, technical and marketing disciplines.
- Finance, including accounting, financing, budget control and investor relations.
- Support/Resources, spanning legal affairs, human resources, information systems, and internal control and audit.

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

Upgraded governance rules:

In line with the recommendation of the Audit Committee, the Board of Directors decided to outsource the internal audit function to KPMG. This decision was made following a detailed consideration of internal audit issues with the Company's senior management and a comparative review of service proposals from four accounting firms with excellent references, who were all invited in to make presentations to the Audit Committee.

The internal audits are performed based on the annual audit plan drawn up by the Audit Committee with input from the Company's management. They are overseen by the Chief Resources Officer whose responsibilities include internal control and internal audit.

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

See also section 4.3 "Risk factors", page 22.

2.1 General presentation of internal control

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

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

a) Overall organisation

Company processes are governed by standard procedures that are rolled out to the employees concerned and updated as necessary.

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

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

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

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

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

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

Several Group companies are owned jointly with external partners, who also have recurring and increasingly extensive reporting needs.

These reports are submitted to the Boards of the companies that are the partners in these joint ventures, representing a valuable opportunity to share expertise and best practices.

b) Delegations of authority

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

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

Delegations of authority were reorganised following the Company's 2011 reorganisation referred to in the introduction to this report.

The new delegations of authority were audited as part of the 2012 Internal Audit Plan. For more information, see section 2.3.1 of this report.

c) Information systems governance

The Information Systems Department is responsible for issuing systems security standards covering:

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

The current information system, which covers all business processes, was deployed in 2004 in accordance with the Company's IT master plan. The system is now out-of-date and no longer meets SFL's strategic needs. As a result, in early 2012, the Company started to examine options for changing the system. Following a competitive bidding process conducted in 2012, Cassiopae was selected to develop a new information system that is due to be deployed in 2014.

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

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

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

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

The auditors' recommendations concerning the issue of written control procedures, notably for accounting applications, are implemented by the Company.

d) Internal code of ethics

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

2.2 Internal control procedures

a) Procedures for identifying and managing business-specific risks

Existence and valuation controls over the properties that constitute the bulk of the Group's assets are performed by independent valuers during their quarterly portfolio valuations.

The Accounts Department pays particular attention to ensuring the completeness of accounting entries concerning renovation, repair and other work undertaken by Group companies.

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

Checks to ensure that all liabilities have been identified and measured are performed at several levels:

– Tenant risks are reviewed regularly by the property specialists in the Legal Department and second-tier controls are performed by an accounting manager on a centralised basis.
– The risk of legal disputes with the Company's partners is closely monitored, with guidance from the property specialists in the Legal Department.
– The Treasury Department participates actively in collecting information about off-balance sheet commitments related to hedging and debt instruments, as well as commitments to suppliers, and ensuring that the information is complete.

b) Identifiable risks

The Company's main identifiable risks are associated with:

- Loss of or damage to assets (managed through building maintenance, technical monitoring of refurbishment projects, property surveys, etc.).
- Breaches of environmental regulations.
- Rent defaults and failure to take into account the full impact of vacancy rates.
- Fraud.

The risks specific to the Company and the industry are described in detail on page 22 *et seq*.

c) Insurance

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

d) Controls over the quality of accounting and financial information

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

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

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

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

e) Book-keeping procedures

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

Following the internal reorganisation carried out during 2011, all of the accounting teams are now integrated in the Accounting and Budget Control Department, which in turn forms part of the Finance Department.

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

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

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

f) Procedure for the preparation of the consolidated financial statements

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

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

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

g) Budget and business plan procedures

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

The annual budget is broken down into monthly budgets.

The business plan includes:

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

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

The budget is updated twice during the year.

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

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

h) Controls over liquidity risks

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

i) Management of market risks

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

j) Controls over counterparty risks

All financial transactions are carried out with leading financial institutions.
Cash reserves, which are limited due to the use of revolving credit facilities, are invested with high quality banks and are not exposed to the risk of any loss of capital.

k) Controls over property-related technical risks

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

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

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

l) Purchases and contract tendering

Routine purchases are made from accredited suppliers at regularly negotiated prices. For other purchases, competitive bids are obtained from several companies or suppliers where appropriate.
A specific contract tendering procedure was set up in 2012.

2.3 Work of the Audit Committee in 2013 and comparison with best practices

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

The Chairman of the Audit Committee regularly updated the Board of Directors about the Committee's work in 2013.

2.3.1 Internal audits performed in 2013

In early 2013, the Audit Committee drew up and approved an internal audit plan based on the Company's risk map.

The plan provided for the execution of seven audits covering:

1) The lease signature process: negotiation, validation of the lease's clauses, legal review, signature.
2) Acquisition and disposal decision-making process.
3) Processes for managing cash surpluses and for optimizing cash needs, the choice of cash management instruments and the yields on these instruments.
4) Process for rebilling service charges to tenants.
5) Implementation of recommendations made after earlier internal audits.
6) Audit of the Cassiopae system functionalities (in the acceptance phase) and the migration process.
7) Regulatory reporting processes concerning the prevention of undeclared work, the employment of foreign workers and specific breaches of the regulations.

Internal audit reports were prepared and submitted to the Audit Committee after each audit and the Audit Committee also made inquiries of the internal auditors and the Chief Resources Officer, whose responsibilities include internal control and internal audit. The Audit Committee was also informed of the status of action plans for the implementation of the internal auditors' recommendations.

a) Lease signature process

Existing procedures

– In 2011, eight macro-processes were described, based on the Responsible, Accountable, Consulted, Informed (RACI) matrix, to help define employees' roles and responsibilities in SFL's business processes. The key phases in the lease signature process are presented in the third macro-process, "Marketing".
– At the same time, a new delegation of authority procedure was introduced in 2012, which sets monetary limits on the commitments that may be entered into by the Company's authorised signatories.
– However, there are no written procedures describing the key phases of the lease signature process and the internal rules applicable to the process.

The core strengths of the lease commitment process are as follows:

– The process is very flexible, offering the required degree of responsiveness.
– The Marketing Director ensures that information about lease offers is coordinated.
– A standard template reviewed by the lawyers (Gide) is used for all leases.
– Legal advice is sought whenever necessary.
– The Legal Department participates in drafting leases.

The identified areas for improvement concern:

– The lack of a written procedure covering the main phases in the process and the key controls to be performed during the marketing of rental units.
– The traceability of information and decisions made by the Marketing, Asset Management, Property Management, Legal and Technical Departments.
– The content of the fact-sheet given to the future tenant.
– Tracking of restrictive clauses on a property-by-property basis, to avoid SFL entering into commitments that breach these clauses.
– The lack of a fallback solution for the preparation of leases in the event that the member of the Legal Department responsible for this task is absent for an extended period.

b) Acquisition and disposal decision-making process

Each acquisition and each disposal has its own specific characteristics and requires the exercise of judgement by specialists. As a result, application of a strict decision-making procedure would not be feasible. The internal audit provided assurance that these decisions are made within a defined framework, based on relevant detailed analyses.

The process's core strengths can be summarised as follows:

– External advisors and experts are consulted whenever necessary or useful.
– The process is centralized at the level of the Asset Management Department and the Asset Book includes a clear strategy for each property in the portfolio.
– The process is very flexible, offering the required degree of responsiveness.
– The Investment Committee meets regularly, ensuring that acquisition projects are closely monitored and fully documented.
– Formal presentations are made at each Investment Committee meeting.
– Decisions are approved by the Executive and Strategy Committee and the Board of Directors.

The recommended improvements are as follows:

– The procedure dealing with the main phases in the process and the decision-tree should be updated.
– A formal record should be kept of Investment Committee decisions.
– The documentation for each property should be updated and scanned before the disposal process is launched.

c) Cash management process

Cash management policy:

– The cash management policy is the responsibility of the Chief Financial Officer and the Treasurer.
– Cash management meetings are held every two months or so with senior management.
– Short-term investment and financing transactions are the responsibility of the Treasury Department. Commitments in excess of €20 million must be authorised by the Board of Directors.
– As regards long-term financing needs, SFL's policy consists of maintaining long maturities of debt, in order to be in a position to efficiently roll over or replace borrowings without having to contend with market distortions.
– Short-term financing needs are met through confirmed revolving lines of credit for amounts at least equal to the debt repayments due in the next twelve months.

Financing and investment instruments:

– SFL uses the following financing instruments:
  - Bonds
  - Mortgage loans
  - Bank loans
  - Bank overdrafts
  - Interest rate swaps
– Available cash is invested in money market funds that are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

Departments involved in the cash management process:

– The main departments identified as participating in the cash management process and its oversight are:
  - the Treasury Department
  - the Budget Control Department.

Existing procedures:

– The Company's policy in the area of cash management and financial risk management is described in the Registration Document.
– A summary of transactions carried out by the Treasury Department is also prepared.
– The new procedure concerning delegations of authority introduced in 2012 assigns responsibility for the Company's financial management strategy and sets limits on the related authority.

The cash management policy is adhered to in all material respects. Decisions are made within a specified framework on the basis of relevant, detailed analyses.

The process's core strengths can be summarised as follows:

– The cash management policy is clearly defined and provides an appropriate response to liquidity, interest rate and counterparty risks.
– Significant commitments are authorised by the Board of Directors.
– The Board's decisions are based on high quality information.
– Regular meetings of the cash management committee ensure that hedging positions are closely monitored.
– A flexible process has been set up for managing short-term transactions (investments in money market funds, use of overdraft facilities).

The identified areas for improvement concern:

– Available documentation, which needs to be improved and updated to permit the development of a formal procedure along the lines of the Company's existing procedures.
– Documentation of analyses and the keeping of a formal record of decisions made during cash management committee meetings.
– The procedure concerning delegations of authority to invest in "Sicav" funds, which needs to be aligned with actual practices if it is confirmed that these investments are concerned by the requirement to obtain Board approval for commitments in excess of €20 million.

d) Process for rebilling service charges to tenants

The process for rebilling service charges to tenants is managed using the Estia system. Estia generates the service charge billing and direct debit entries used in the general ledger and management accounts and is also used to automatically produce the annual reconciliations between the amounts billed and the actual amounts due.

The calls for payment and the annual reconciliations between the amounts billed and the actual amounts due are filed using the electronic document management system. The following departments are also involved in the service charge rebilling process:

– the Property Management Department
– the Budget Control Department
– the Accounts Department
– the Treasury Department.

Existing procedures:

In 2011, eight macro-processes were described, based on the Responsible, Accountable, Consulted, Informed (RACI) matrix, to help define employees' roles and responsibilities in SFL's business processes. The service charge recovery and budget monitoring process is briefly described in the fourth macro-process "Rental Management".

The internal auditors concluded that controls over the process for the recovery of service charges from tenants led by the Property Management Department are satisfactory.
The process's core strengths include:
- The use of the Estia system interfaced with the accounting system.
- The automatic calculation by Estia of annual reconciliations between the amounts billed and the actual amounts due, based on lease data pre-entered in the system, including cost allocation keys, exemptions, expense caps, flat rate charges, etc.
- The second tier controls performed by the Budget Control Department, which serve to detect unusual items that may have been overlooked by the Property Department.
- The use of an electronic document management system providing easy access to all the legal documents and receipts.
- Efficient segregation of tasks, supported by the Estia user clearances.

e) Follow-up of the internal auditors' recommendations
The internal auditors' recommendations mainly concern process documentation and the preparation of written procedures. None of the issues raised constitutes a major problem.

The identified areas for improvement concern:
- Implementation of a warning system or controls to block unauthorised changes to data recorded in Estia.
- Implementation of second tier controls over certain phases in the process.

Concerning these two recommendations, management noted that:
- While the first recommendation (warning system and blocking controls) is valid, its implementation on Estia is impossible for technical reasons. Management will ensure that it is implemented on the new Cassiopae system.
- Management does not support implementation of the second recommendation for the following reasons:
  - The task clearly and unquestionably falls within the managers' area of expertise and SFL's aim is above all to make the managers more accountable for these critical controls. In addition, expense reports are checked by the managers at each account closing.
  - As a more general comment, management also considers it necessary to align control granularity with the Company's size.

f) Audit of the Cassiopae system functionalities and the migration process.
In 2012, the Company decided to replace its Estia information system. This old system uses obsolete technology and could not be upgraded to meet the emerging needs of the Company's new disciplines. It was therefore decided to switch to a best-in-breed solution.

In September 2012, four leading property management software publishers were invited to submit bids:
- Two of the products commanded attention as modern solutions developed by forward-looking companies: Cassiopae's Real Estate software and Taliance's Premiance solution.
- Two other products of the same generation as Estia were also considered due to the stature of their publishers: Sopra's Altaix software and SAP RE distributed by Aareon.

The four companies were given a set of detailed functional and technical specifications, in order to ensure that their proposals were aligned as closely as possible with SFL's fundamental needs.

After carefully reviewing the proposals, SFL's Management Committee decided to select Cassiopae's solution. The comprehensive software solution described in the contract with Cassiopae includes:
- Responses to related functional needs (fixed asset management, cash flow projections, debt management).
- Accounting software (Val Informatique's Ammon system)
- An analytical environment: QlikView (Business Discovery platform)

The aim is for the new system to come on-stream in the first half of 2014.
The deployment plan has been organised around the following main phases:
- An alignment phase that was completed on schedule at the end of March 2013.
- A design and development phase, conducted during the second half of 2013 with room in the schedule to run over into the first quarter of 2014.
- An acceptance phase.
- A final training phase, with the aim of migrating to the new system before the end of the first half of 2014.

A procedure was set up to closely monitor the potential risks in order to identify any problems as early as possible and resolve them without delay. Five main risks were identified:
1. Risk of the product not being aligned with the Company's functional needs.
2. Risk of the product not being aligned with the Company's technical needs.
3. Risk of users not buying into the product.
4. Risk of budget overruns due to certain needs being left out of the original specifications or poorly defined.
5. Risk of the project being abandoned at the end of the probationary period on 31 August 2013 (this risk no longer exists).

The status of this major project is currently as follows:
- Differences between the Cassiopae solution and SFL's specifications were analysed during the alignment phase.
- The information system was customised and configured during the design and development phase, and specific developments were completed.
- A process was organised to clean up the data to be migrated from the Estia system.
- The transcoding tables were adapted in preparation for the migration process.
- Migration: the Information Systems Department has provisionally accepted three trial migrations.
- Acceptance of the migration phase is in progress. This phase is challenging from a technical standpoint. Its success depends on Cassiopae's ability to manage the process and we need to be very vigilant because it is during this major phase that delays can start to occur.
- Lastly, it is probable that the shift to a new information system will have a significant impact on our internal procedures. Considerable work will clearly be necessary in this area that will naturally concern the Audit Committee.

g) Organisation of work sites and prevention of undeclared work

The internal audit mainly concerned the risks that would arise from failure to submit the documents required by the applicable regulations to combat undeclared work and ensure compliance with security, health and safety rules applicable on sites where various different contractors are working. It focused on the risk of the Company being subject to criminal proceedings. The audit was conducted under the responsibility of the Chief Resources Officer, whose responsibilities include internal audit, with the assistance of a specialist law firm.

The following recommendations were made:
- Update risk prevention plans whenever necessary based on the identified risks and at least once a year.
- Outsource to a specialist service provider the task of collecting administrative documents from co-contractors. Regular collection of these documents will protect the Company against the risk of undeclared work and the illegal use of foreign workers. The contractor listing platform may be given the task of collecting the documents and also of chasing up contractors twice a year to submit compulsory documentation.

2.3.2 Risk monitoring

At its meeting on 24 July 2012, the Board of Directors asked the Audit Committee to work with management to create a "Risk Indicator Scorecard" based on existing indicators that could be used to monitor business risks.

At its meeting on 14 November 2012, the Audit Committee agreed on a Scorecard comprising four indicators covering rent defaults/leases and six financial indicators.

It was decided that the Risk Indicator Scorecard would be reviewed and updated every six months.

The updated Scorecard was reviewed by the Audit Committee during its meeting on 22 July 2013, at the end of the first half of 2013.

2.3.3 Follow-up of the internal auditors' recommendations

The Audit Committee decided to review the implementation of the internal auditors' recommendations at half-yearly intervals or more frequently if necessary.

2.3.4 The Audit Committee's practices and procedures and best practices

In line with best practices in France, the Audit Committee asked KPMG to perform an assessment of the Committee's governance practices and procedures compared with regulatory requirements and existing recommendations.

KPMG's assessment and resulting report were based on a review of the minutes of Audit Committee meetings and all the documents distributed before or during these meetings.

Since the beginning of 2011, the Audit Committee has been looking in detail at:

- The governance rules applied by the Group's administrative, management and supervisory bodies, with the aim of matching the best practices of listed French companies.
- Financial communications, and EPRA recommendations in this area.
- The Company's risk map and internal audit processes.

KPMG's assessment showed that SFL's Audit Committee generally meets expectations in terms of its practices and the fulfilment of its role. In particular, KPMG obtained assurance concerning:

- Compliance with the rules governing the Audit Committee's membership and basic rules of procedure.
- The Committee's review of the annual and interim financial information.
- The Committee's analysis of internal control and risk management systems, particularly through its review of internal audit reports.
- The Committee's review of the external auditors' conclusions during the auditors' presentation of their annual and interim post-audit reports.
- Compliance with the main rules governing relations between the Audit Committee and the various members of the Company's management.
- The transmission, sufficiently in advance of each Committee meeting, of the documents issued by the Company such as financial communications and internal audit reports.

The Audit Committee's main practices consist of:

- Planning in advance the work to be performed and validating the issues to be discussed during Committee meetings.
- Performing detailed reviews of financial information and gaining an in-depth understanding of the internal control system.
- Drafting questions and comments on specific issues (requests for explanations of assumptions used for calculations and information consistency).
- Performing detailed reviews of the external auditors' work and following up on action to implement their recommendations concerning the internal control system.
- Regularly reporting on the status of the Committee's work to the Board of Directors, to permit the Board to assess this work.

KPMG recommended that these practices be pursed and strengthened.

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

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

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

Chairman of the Board of Directors

Appendix 7.6

Agenda for the Annual General Meeting of 24 April 2014

Ordinary Meeting

- Board of Directors' management report.
- Report of the Chairman of the Board of Directors drawn up in accordance with Article L.225-37 of the French Commercial Code.
- Group management report.
- Board of Directors' special report on stock options.
- Board of Directors' special report on performance share grants.
- Auditors' report on internal control.
- Auditors' report on the Company financial statements for the year ended 31 December 2013.
- Auditors' report on the consolidated financial statements for the year ended 31 December 2013.
- Auditors' special report on agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code and approval of those agreements.
- Approval of the Company financial statements for the year ended 31 December 2013.
- Approval of the consolidated financial statements for the year ended 31 December 2013.
- Appropriation of profit for the year ended 31 December 2013.
- Ratification of the appointment as a director of Angel Arderiu Ibars
- Re-election as a director of Carmina Gañet Cirera.
- Re-election as a director of Anne-Marie de Chalambert.
- Re-election as a director of Luis Maluquer Trepat.
- Re-election as a director of Jacques Calvet.
- Acknowledgement that Bertrand Letamendia is stepping down from the Board.
- Acknowledgement that Jean Arvis is stepping down from the Board.
- Election as a director of Carlos Krohmer.
- Advisory vote on the components of the remuneration due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2013.
- Advisory vote on the components of the remuneration due or awarded to Bertrand Julien-Laferrière, Chief Executive Officer, for the year ended 31 December 2013.
- Authorisation to be given to the Board of Directors to purchase, hold or transfer SFL shares.
- Powers to carry out formalities.

Extraordinary Meeting

- Board of Directors' report.
- Auditors' special report.
- Authorisation given to the Board of Directors to grant stock options to employees and officers.
- Authorisation given to the Board of Directors to make share grants to eligible employees and officers.
- Authorisation to be given to the Board of Directors to reduce the capital by cancelling treasury shares.
- Powers to carry out formalities.

Annual General Meeting of 24 April 2014

ORDINARY RESOLUTIONS

FIRST ORDINARY RESOLUTION

(Approval of the Company financial statements for the year ended 31 December 2013)

The Annual General Meeting, having considered the Chairman's report on internal control, the Board of Directors' management report and the Auditors' reports, approves the Company financial statements for the year ended 31 December 2013 as presented, showing a net profit of €44,843,905.81, together with the transactions reflected in these financial statements or described in these reports.

SECOND ORDINARY RESOLUTION

(Approval of the consolidated financial statements for the year ended 31 December 2013)

The Annual General Meeting, having considered the Board of Directors' management report and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2013 as presented, as well as the transactions reflected in these accounts and described in the Group management report included in the Board of Directors' management report.

THIRD ORDINARY RESOLUTION

(Appropriation of profit)

The Annual General Meeting:

- Notes that net profit for the year, after tax and provision charges, amounts to €44,843,905.81.

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

Net profit for the year ended 31 December 2013	€44,843,905.81
Retained earnings brought forward from the prior year	€620,424.00
Profit available for distribution	€45,464,329.81

- Resolves, based on the recommendation of the Board of Directors, to:
  - Pay a total dividend of €97,710,845.40, representing a dividend per share of €2.10. After deducting the interim dividend of €0.70 paid on 23 October 2013, the final dividend will amount to €1.40 per share.
  - Deduct €52,246,515.59 from the share premium account for the payment of the above dividend, reducing this account from €924,182,054.02 to €871,935,538.43.

In the case of any increase in the number of shares with rights to the 2013 dividend compared with the 46,528,974 shares outstanding at 31 December 2013, the total dividend will be adjusted accordingly by deducting the additional amount required from the share premium account, so that the total deduction corresponds to the actual dividends payable.

Dividends not payable on shares held in treasury stock on the dividend payment date and any dividends waived by shareholders will be credited to retained earnings. The total dividend will be adjusted accordingly.

The dividend will be paid as from 2 May 2014.

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

Of the total dividend of €2.10 per share, €0.97 will be classified as securities income governed by Article 158-3-1 of the French Tax Code (based on 46,528,974 shares) and €1.13 will be classified as a return of capital governed by Article 112-1 of the Code. For the final dividend of €1.4, the amount to be declared as securities income is €0.27 per share.

As the portion of the dividend classified as securities income will be paid out of profits that are exempt from corporate income tax under the SIIC regime, it will not qualify for the 40% tax allowance provided for in Article 158-3, paragraph 1, of the French Tax Code.

In accordance with Article 119 bis of the French Tax Code, the portion of dividends paid to non-resident shareholders that is classified as securities income will be subject to withholding tax at the rate of 21% (residents of a European Union member state, Iceland, Norway or Liechtenstein) or 15% (dividends invested in a French OPCVM, OPCI, SICAF or other equivalent French or foreign investment fund) or 30% (residents of other countries). However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries will be required to provide a certificate of residence to benefit from the treaty rate. The withholding tax rate is 75% when dividends are paid outside France in "uncooperative" countries or jurisdictions.

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

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

Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance	Portion of the dividend classified as a return of capital	Total dividend
2010	€2.10	€2.10	€0.00		€97,710,845.40
2011	€1.40 €0.70	€0.39 €0.70	€1.01		€65,140,563.60 €32,570,281.80
2012	€1.40 €0.70	€0.61 €0.70		€0.79	€65,140,563.60 €32,570,281.80

FOURTH ORDINARY RESOLUTION

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

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

FIFTH ORDINARY RESOLUTION

(Ratification of the appointment as a director of Angels Arderiu Ibars)

The Annual General Meeting ratifies the Board of Directors' decision of 4 March 2014 to appoint Angels Arderiu Ibars as a director to replace Carlos Losada Marrodan following the latter's resignation.

Angels Anderiu Ibars (Avenida Diagonal, 532 – 08006 Barcelona – Spain) will serve as a director for the remainder of her predecessor's term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2014.

SIXTH ORDINARY RESOLUTION

(Re-election as a director of Carmina Gañet Cirera)

The Annual General Meeting, having noted that Carmina Gañet Cirera's term of office as a director expires at the close of the Meeting, resolves to re-elect her for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2016.

SEVENTH ORDINARY RESOLUTION

(Re-election as a director of Anne-Marie de Chalambert)

The Annual General Meeting, having noted that Anne-Marie de Chalambert's term of office as a director expires at the close of the Meeting, resolves to re-elect her for a one-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2014.

EIGHTH ORDINARY RESOLUTION

(Re-election as a director of Luis Maluquer Trepat)

The Annual General Meeting, having noted that Luis Maluquer Trepat's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2016.

NINTH ORDINARY RESOLUTION

(Re-election as a director of Jacques Calvet)

The Annual General Meeting, having noted that Jacques Calvet's term of office as a director expires at the close of this Meeting, resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2014.

TENTH ORDINARY RESOLUTION

(Acknowledgement that Bertrand Letamendia is stepping down from the Board)

The Annual General Meeting, having noted that Bertrand Letamendia's term of office as a director expires at the close of the Meeting, notes that he is stepping down from the Board.

ELEVENTH ORDINARY RESOLUTION

(Acknowledgement that Jean Arvis is stepping down from the Board)

The Annual General Meeting, having noted that Jean Arvis's term of office as a director expires at the close of the Meeting, notes that he is stepping down from the Board.

TWELFTH ORDINARY RESOLUTION

(Election as a director of Carlos Krohmer)

The Annual General Meeting resolves to elect Carlos Krohmer (Avenida Diagonal, 532 – 08006 Barcelona – Spain), as a director for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2016.

THIRTEENTH ORDINARY RESOLUTION

(Advisory vote on the components of the remuneration due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors)

The Annual General Meeting, consulted in application of the AFEP-MEDEF Corporate Governance Code for Listed Companies (paragraph 24.3), issues a favourable opinion on the components of the remuneration due or awarded to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors, as described in the Management Report (including Appendix 7.5 – Chairman's report on corporate governance and internal control and risk management procedures) presented by the Board of Directors for the year ended 31 December 2013.

FOURTEENTH ORDINARY RESOLUTION

(Advisory vote on the components of the remuneration due or awarded to Bertrand Julien-Laferrière, Chief Executive Officer)

The Annual General Meeting, consulted in application of the AFEP-MEDEF Corporate Governance Code for Listed Companies (paragraph 24.3), issues a favourable opinion on the components of the remuneration due or awarded to Bertrand Julien-Laferrière in his capacity as Chief Executive Officer, as described in the Management Report (including Appendix 7.5 – Chairman's report on corporate governance and internal control and risk management procedures) presented by the Board of Directors for the year ended 31 December 2013.

FIFTEENTH ORDINARY RESOLUTION

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

The Annual General Meeting, having considered the report of the Board of Directors, resolves:

1. To cancel with immediate effect the unused portion of the authorisation given in the sixteenth ordinary resolution of the General Meeting of 18 April 2013 to buy back the Company's shares.

2. To authorise the Board of Directors, in accordance with Articles L.225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers and European Commission Regulation 2273/2003 of 22 December 2003 and with the market practices recognised by the Autorité des Marchés Financiers, to buy back shares representing up to 10% of the Company's issued capital as of the date of this Meeting subject to the following restriction:
   – The shares may not be bought back at a price in excess of €55 per share, excluding transaction costs, as adjusted if appropriate for the effects of any corporate actions, including any bonus share issue paid up by capitalising reserves and/or any share split or reverse share split.
   – Consequently, based on the number of shares outstanding at 31 December 2013, the total amount invested in the share buyback programme will represent a maximum of €255,909,390 corresponding to 4,652,898 ordinary shares. This maximum may be adjusted to reflect the number of shares outstanding at the date of this Meeting.

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

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

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

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

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq.* of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.

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

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

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

- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the third extraordinary resolution of the 2014 Annual Meeting authorising the Board of Directors to reduce the capital.

- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorized by the applicable regulations.

When shares are bought back under a liquidity contract in accordance with the General Regulations of the Autorité des Marchés Financiers, the number of shares used to calculate the limit of 10% of the issued capital will correspond to the number of shares purchased minus the number of shares sold during the authorised period.

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

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-209 of the French Commercial Code.

5. That the Board of Directors shall have full powers, including the power of delegation, to implement this authorisation, clarify its terms if necessary, and decide the method of implementation in accordance with the law and this resolution. Specifically, the Board of Directors is authorised to place buy and sell orders, enter into any and all agreements for the keeping of registers of purchases and sales or other registers, draw up any and all information and other documents, allocate or re-allocate the bought back shares to any of the above purposes, carry out any and all filing and other formalities with the Autorité des Marchés Financiers and all other organisations, carry out any and all other formalities and generally do whatever is necessary.

SIXTEENTH ORDINARY RESOLUTION

(Powers to carry out formalities)

The Annual General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

EXTRAORDINARY RESOLUTIONS

FIRST EXTRAORDINARY RESOLUTION

(Authorisation given to the Board of Directors to grant stock options to employees and officers)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves:

- To cancel, with immediate effect, the unused portion of the authorisation given in the twelfth extraordinary resolution of the General Meeting of 9 May 2011.

- To authorise the Board of Directors, in accordance with Articles L.225-177 *et seq.* of the French Commercial Code, or any person to whom this authority may be delegated pursuant to the law, to grant stock options on one or several occasions on the basis set out below.

The options may be granted to employees or officers (within the meaning of Article L.225-185, paragraph 4, of the French Commercial Code) of the Company or of related companies or entities within the meaning of Article L.225-180 of the French Commercial Code. The grants may be made to all such employees and officers or to selected employees and/or officers.

This authorisation is given for a period of 38 months from the date of this Meeting.

Each option shall be exercisable for one new or existing ordinary share. The total number of options granted under this resolution shall not be exercisable for a number of ordinary shares representing, on the grant date, more than 3% of the Company's share capital as of the date of this Meeting and, within this limit, the number of options granted to corporate officers ("*mandataires sociaux*") shall not be exercisable for a number of ordinary shares representing more than 0.2% of the Company's share capital as of the date of this Meeting. Any shares to be issued to protect the rights of holders of securities carrying rights to shares will not be taken into account for the purpose of determining if these ceilings are met.

If the authorisation is used to grant options exercisable for existing shares, these shares will be purchased by the Company either pursuant to Article L.225-208 of the French Commercial Code or under the share buyback programme authorised in the fifteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the Code or any past or future buyback programme.

The exercise price of stock options granted under this authorisation shall be set by the Board of Directors on the following basis:

- The option exercise price shall represent at least 95% of the average of the prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the option grant date. No options may be granted in the 20 trading days that follow the dividend payment date or any share issue.

- In addition, if the authorisation is used to grant options on existing shares, the option exercise price shall not represent less than 80% of the average price paid for the shares held by the Company under Article L.225-208 of the French Commercial Code or under the share buyback programme authorised in the fifteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the Code or any past or future buyback programme.

The exercise price may not be adjusted during the life of the options, except in the case of any financial transactions or corporate actions for which the Company is required by law to take the necessary measures to protect option holders' interests. In any such case, the Board of Directors will implement the necessary measures to take into account the effect of the corporate action(s), in accordance with the applicable regulations. In particular, the decision may be made to temporarily suspend the right to exercise the options following a corporate action that gives rise to an adjustment in accordance with Article 225-181-2 of the Code or any other financial transaction where the Board considers that it is appropriate to suspend option exercise rights.

Stock options granted under this authorisation must be exercised within ten years of the grant date.

The Extraordinary General Meeting notes and resolves that this authorisation automatically entails the waiver by existing shareholders of their pre-emptive right to subscribe for any shares issued on exercise of the options.

The Extraordinary General Meeting gives full powers to the Board of Directors – which may delegate these powers any person to whom the powers may be delegated pursuant to the law and which may be assisted by a committee made up of persons of its choice - within the limits specified above, to:

– Set the performance conditions and any other conditions governing the granting and exercise of the options.

– Decide the dates of the option grants, on the basis and subject to the restrictions prescribed by law.

– Draw up the list of grantees and set the number of options to be granted to each grantee; decide the terms of grant and exercise of the options; specify the conditions governing the exercise of the options and, in particular, decide to limit, restrict or prohibit (a) the exercise of the options, or (b) the sale of the ordinary shares received on exercise of the options, during certain periods or following certain events, with said decision applying to (i) all or some of the options and (ii) all or some of the grantees.

– In the cases provided for by law, take the necessary measures to protect the interests of option holders on the basis provided for in Article L.228-99 of the French Commercial Code.

– Generally, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the exercise of options, amend the Articles of Association to reflect the new capital, carry out any and all reporting and other formalities with any and all organisations and do whatever else is necessary.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution.

SECOND EXTRAORDINARY RESOLUTION

(Authorisation given to the Board of Directors to make share grants to eligible employees and officers)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves:

– To cancel, with immediate effect, the unused portion of the authorisation given in the thirteenth extraordinary resolution of the General Meeting of 9 May 2011.

– To authorise the Board of Directors, or any person to whom this authority may be delegated pursuant to the law, to make grants of existing or newly-issued ordinary shares of the Company in accordance with Articles L.225-197-1 *et seq.* of the Commercial Code, on the basis specified below.

The grants may be made to employees or officers ("*mandataires sociaux*") within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code, or to certain categories of employees or officers of the Company or of related companies or entities within the meaning of Article L.225-197-2 of the French Commercial Code.

This authorisation is given for a period of 38 months from the date of this Meeting.

The total number of ordinary shares granted under this resolution shall not represent more than 1% of the Company's share capital as of the date of this Meeting and, within this limit, the number of shares granted to corporate officers ("*mandataires sociaux*") shall not represent more than 0.2% of the Company's share capital as of the date of this Meeting. Any shares to be issued to protect the rights of holders of securities carrying rights to shares will not be taken into account for the purpose of determining if these ceilings are met.

The Board of Directors shall set the vesting period applicable to each grant, which shall not be less than two years as from the grant date.

The Board of Directors shall also set the lock-up period applicable to each grant, which shall not be less than two years as from the vesting date.
However, the shares may vest immediately in the event that a grantee becomes disabled, within the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code. In the event of death of a grantee, his or her heirs may apply for the shares to be allocated to them within six months of the date of death. Any shares that vest immediately in the event of a grantee's disability or that are transferred to a deceased grantee's heirs shall become freely transferable with immediate effect.

If the authorisation is used to grant existing shares, these shares shall be purchased by the Company either pursuant to Article L.225-208 of the Commercial Code or under the share buyback programme authorised in the fifteenth ordinary resolution of this Meeting pursuant to Article L.225-209 of the Commercial Code or any past or future buyback programme.

The Extraordinary General Meeting notes and resolves that this authorisation automatically entails the waiver by existing shareholders of their pre-emptive right to subscribe for the ordinary shares to be issued in respect of the grants. It also resolves that if this authorisation results in a capital increase at the end of the vesting period, to be paid up by capitalising retained earnings, profits or the share premium, shareholders shall automatically waive their right to the capitalised portion of retained earnings, profits or the share premium.

The Extraordinary General Meeting gives full powers to the Board of Directors – which may delegate these powers any person to whom the powers may be delegated pursuant to the law and which may be assisted by a committee made up of persons of its choice - within the limits specified above, to:

- Set the terms of the ordinary share grants and the allocation criteria, if any.
- Decide the dates of the share grants, on the basis and subject to the restrictions prescribed by law.
- Draw up the list of grantees, the number of ordinary shares to be granted to each grantee, and the terms and conditions of grant.
- Decide the terms and conditions governing adjustments to the number of ordinary shares granted.
- Generally, enter into any and all agreements, draw up any and all documents, place on record the capital increases resulting from the share grants, amend the Articles of Association to reflect the new capital, carry out any and all reporting and other formalities with any and all organisations and do whatever else is necessary.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution.

THIRD EXTRAORDINARY RESOLUTION

(Authorisation given to the Board of Directors to reduce the share capital by cancelling shares)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-209 of the French Commercial Code, to:

1. Authorise the Board of Directors to cancel, on one or several occasions, all or some of the shares held by the Company or that may be held in the future following utilisation of the various buyback authorisations given by the General Meeting to the Board of Directors, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Said 10% limit shall apply to an adjusted number of shares, if necessary to take into account any corporate actions carried out after this Meeting.

2. Authorise the Board of Directors to charge the difference between the cost of the cancelled shares and their par value to any available premium or reserve account.

3. Grant full powers to the Board of Directors – directly or through a representative appointed in accordance with the applicable laws and regulations – to effect the capital reduction(s) resulting from the share cancellations authorised by this resolution, determine and place on record the final amount of the capital reduction(s), record the corresponding accounting entries, amend the Articles of Association to reflect the new capital and generally carry out any and all necessary formalities.

4. Set at 18 months from the date of this Meeting the period of validity of this authorisation, which cancels and replaces all previous authorisations with the same purpose.

FOURTH EXTRAORDINARY RESOLUTION

(Powers to carry out formalities)

The Extraordinary General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Appendix 7.7

Report of the Board of Directors

TO THE EXTRAORDINARY GENERAL MEETING

Resolutions tabled at the Extraordinary General Meeting of 24 April 2014

We invite shareholders to vote the extraordinary resolutions presented below

AUTHORISATION TO GRANT STOCK OPTIONS TO EMPLOYEES AND CORPORATE OFFICERS

(First extraordinary resolution)

The Board of Directors is seeking an authorisation (which may be delegated in accordance with the law) to grant stock options to all or certain employees and officers of the Company and related companies. Each option will be exercisable for one ordinary share, to be issued or bought back on the market for this purpose.

This authorisation will enable the Board to reward grantees for their commitment to the Company, by enabling them to become shareholders and thus to participate in the Company's development.

If the authorisation is used to grant options on new shares, shareholders will be asked to waive, in favour of the option holders, their pre-emptive right to subscribe for the shares to be issued on exercise of the options.

If the authorisation is used to grant options on existing shares, these shares will be purchased by the Company either pursuant to Article L.225-208 of the Commercial Code or under the share buyback programme to be authorised in the fifteenth ordinary resolution of this Meeting or any past or future buyback programme.

The option exercise price will be set at an amount representing at least 95% of the average of the prices quoted for SFL shares over the 20 trading days immediately preceding the option grant date. No options will be granted in the 20 trading days that follow the dividend payment date or any capital increase.

In addition, if the authorisation is used to grant options on existing shares, the option exercise price will not represent less than 80% of the average price paid for the shares held by the Company under Article L.225-208 of the Code or under the share buyback programme to be authorised in the fifteenth ordinary resolution of this Meeting or any past or future buyback programme.

The exercise price may not be adjusted during the life of the options, except in the case of any financial transactions or corporate actions for which the Company is required by law to take the necessary measures to protect option holders' interests. In any such case, the Board of Directors will implement the necessary measures to take into account the effect of the corporate action(s), in accordance with the applicable regulations. In particular, the decision may be made to temporarily suspend the right to exercise the options following a corporate action that gives rise to an adjustment in accordance with Article 225-181-2 of the Code or any other financial transaction where the Board considers that it is appropriate to suspend option exercise rights.

The authorisation is being sought for a period of 38 months from the date of this meeting. The total number of options granted would not be exercisable for a number of ordinary shares representing, on the grant date, more than 3% of the Company's share capital as of the date of this Meeting and, within this limit, the number of options granted to corporate officers ("*mandataires sociaux*") would not be exercisable for a number of ordinary shares representing more than 0.2% of the Company's share capital as of the date of this Meeting. Any shares to be issued to protect the rights of holders of securities carrying rights to shares would not be taken into account for the purpose of determining if these ceilings are met.

The Board of Directors will report to shareholders each year on all option grants made under this authorisation.

AUTHORISATION TO GRANT SHARES TO ELIGIBLE EMPLOYEES AND CORPORATE OFFICERS

(Second extraordinary resolution)

The Board of Directors is also seeking an authorisation to grant new or existing ordinary shares to employees – or certain employee categories – and officers ("*mandataires sociaux*") of the Company and related companies.

If the authorisation is used to grant new shares, shareholders will be asked to waive, in favour of the grantees, their pre-emptive right to subscribe for the shares to be issued when the rights under the share grant vest, as well as their pre-emptive right to subscribe for any rights to ordinary shares granted under this authorisation.

If the authorisation is used to grant existing shares, these shares will be purchased by the Company either pursuant to Article L.225-208 of the Commercial Code or under the share buyback programme to be authorised in the fifteenth ordinary resolution of this Meeting or any past or future buyback programme.

The Board of Directors would decide the vesting period applicable to each grant, which would not be less than two years as from the grant date.

The authorisation is being sought for a period of 38 months from the date of this meeting. The total number of ordinary shares granted would not represent more than 1% of the Company's share capital as of the date of this Meeting and, within this limit, the number of shares granted to corporate officers ("*mandataires sociaux*") would not represent more than 0.2% of the Company's share capital as of the date of this Meeting. Any shares to be issued to protect the rights of holders of securities carrying rights to shares would not be taken into account for the purpose of determining if these ceilings are met.

The shares would vest immediately in the event that a grantee became disabled, within the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code In addition, in the event of death of a grantee, his or her heirs could apply for the shares to be allocated to them within six months of the date of death. Any shares that vested immediately in the event of a grantee's disability or that were transferred to a deceased grantee's heirs would be freely transferable.

The Board of Directors will report to shareholders each year on the grants made under this authorisation.

AUTHORISATION TO CANCEL SFL SHARES HELD IN TREASURY

(Third extraordinary resolution)

In connection with the fifteenth ordinary resolution of this Meeting and in accordance with Article L.225-209 of the French Commercial Code, shareholders are asked to give the Board of Directors an 18-month authorisation to cancel all or some of the SFL shares bought back under the share buyback programme authorised in the fifteenth ordinary resolution or any other share buyback programme and therefore reduce the share capital.

According to the applicable legislation, the Company could only cancel shares representing up to 10% of issued capital in any 24-month period.

Cancellation of authorisations and delegations of competence given at the Extraordinary Meetings of 9 May 2011 and 18 April 2013

If the resolutions tabled at this Meeting are voted by shareholders, the unused portions of the authorisations given to the Board of Directors by the Extraordinary General Meetings of 9 May 2011 and 18 April 2013 will be automatically cancelled.

Activities of the Company since 1 January 2014

The report of the Board of Directors to the Annual General Meeting includes information about the activities of the Company since the beginning of the current financial year.

Shareholders are invited to adopt the resolutions tabled at this Meeting, after considering the report of the Auditors drawn up in accordance with the applicable laws.

The Board of Directors

Appendix 7.8
Portfolio at 31 December 2013

Total portfolio		Total surface area (sq.m.)	Offices (usable area, sq.m.)	Retail (usable area, sq.m.)
Owned properties		360,131	262,147	27,238
Properties under finance leases		9,185	8,086	
TOTAL AT 31 DECEMBER 2013		369,316	270,233	27,238

Owned properties				
1st	Louvre Saint-Honoré	47,673	28,521	6,661
2nd	#Cloud	33,187	26,799	
2nd	6 Hanovre	4,607	2,952	
7th	103 Grenelle	19,729	15,176	258
8th	Washington Plaza	47,097	39,204	460
8th	Haussmann Saint-Augustin	13,434	11,683	791
8th	Galerie des Champs-Élysées	8,662		4,539
8th	90 Champs-Élysées	8,680	7,699	981
8th	Ozone - 92, avenue des Champs-Élysées	7,691	4,110	3,088
8th	Cézanne Saint-Honoré	29,021	24,180	1,849
9th	Édouard VII	54,120	28,113	7,331
12th	Rives de Seine	22,671	20,487	
16th	96 Iéna	8,856	7,505	
17th	112 Wagram	5,998	4,545	891
Neuilly-sur-Seine	176 Charles-de-Gaulle	7,381	5,749	389
Issy-les-Moulineaux	Le Vaisseau	6,332	6,026	
Boulogne-Billancourt	In/Out	34,992	29,398	
	Total	360,131	262,147	27,238

Properties under finance leases				
17th	131 Wagram	9,185	8,086	
	Total	9,185	8,086	

	Hotels (usable area, sq.m.)	Cinemas/Theatres (usable area, sq.m.)	Residential (usable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)
	3,125	8,019	4,802	34,384	20,416	3,464
				1,099		124
	3,125	8,019	4,802	35,483	20,416	3,588
				4,029	8,462	236
				6,388		99
				1,620	35	
				1,708	2,587	100
				4,755	2,678	662
				960		104
				1,819	2,304	117
					493	
			231	1,257	1,504	128
	3,125	8,019	4,571	2,961		504
				2,184		366
				421	930	264
					562	29
				382	861	145
				306		124
				5,594		586
	3,125	8,019	4,802	34,384	20,416	3,464
				1,099		124
				1,099		124

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

The financial statements were approved for publication by the Board of Directors on 12 February 2014.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 December 2013	31 December 2012	31 December 2011
Intangible assets	6-1	1,884	813	423
Property and equipment	6-2	22,760	23,338	23,774
Investment properties	6-3	3,810,524	3,528,807	3,181,626
Investments in associates	6-4	302,341	286,560	266,106
Financial assets	6-5	692	770	6,442
Other non-current assets	6-6	6,884	5,352	1,803
Total non-current assets		**4,145,084**	**3,845,640**	3,480,175
Investment properties held for sale	6-7	–	286,777	360
Inventories and work in progress		–	–	–
Trade and other receivables	6-8	63,014	59,435	51,608
Other current assets	6-9	1,594	1,417	3,579
Cash and cash equivalents	6-10	29,032	24,918	11,498
Total current assets		**93,639**	**372,547**	**67,045**
Total assets		4,238,723	4,218,187	3,547,220

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 December 2013	31 December 2012	31 December 2011
Share capital		93,058	93,058	93,058
Reserves		1,974,378	1,760,385	1,674,351
Profit for the period		147,259	283,189	180,891
Equity attributable to owners of the parent		**2,214,695**	**2,136,632**	**1,948,300**
Non-controlling interests		230,871	198,031	89,116
Total non-controlling interests		**230,871**	**198,031**	**89,116**
Total equity	**6-11**	**2,445,566**	**2,334,663**	**2,037,416**
Long-term borrowings and derivative instruments	6-12	1,345,323	1,507,746	921,978
Long-term provisions	6-13	582	1,861	1,984
Deferred tax liabilities	6-14	133,902	117,060	63,192
Accrued taxes	6-15	9,107	1,717	2,500
Other non-current liabilities	6-16	15,575	14,715	13,470
Total non-current liabilities		**1,504,490**	**1,643,099**	**1,003,124**
Trade and other payables	6-17	36,481	42,638	19,519
Short-term borrowings and other interest-bearing debt	6-12	216,260	154,972	449,143
Short-term provisions	6-13	484	316	111
Other current liabilities	6-18	35,443	42,499	37,908
Total current liabilities		**288,668**	**240,425**	**506,679**
Total equity and liabilities		4,238,723	4,218,187	3,547,220

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2013	2012	2011
Property rentals		149,315	150,202	151,599
Property expenses, net of recoveries		(12,298)	(12,391)	(10,583)
Net property rentals	**6-19**	**137,017**	**137,811**	**141,016**
Service and other revenues	6-20	29	437	416
Other income	6-21	2,479	3,581	2,982
Depreciation and amortisation expense	6-22	(1,018)	(850)	(757)
Provision (expense)/reversals, net	6-23	1,411	(60)	489
Employee benefits expense	6-24	(11,599)	(11,187)	(11,517)
Other expenses	6-25	(8,476)	(7,252)	(7,262)
Profit on disposal of other assets		–	–	1
Profit/(loss) on disposal of investment properties	6-26	(196)	(4)	7,668
Gains and losses from remeasurement at fair value of investment properties	6-27	145,310	236,260	98,094
Operating profit		**264,957**	**358,736**	**231,132**
Share of profits of associates	6-28	20,969	20,967	18,703
Finance costs and other financial expenses	6-29	(64,268)	(70,825)	(62,965)
Financial income	6-29	11,184	14,816	13,852
Gains and losses from remeasurement at fair value of financial instruments	6-30	(18,158)	(16,028)	(4,751)
Discounting adjustments to receivables and payables		598	(163)	129
Provision expense, net - financial assets	6-31	–	–	–
Profit before income tax		**215,282**	**307,503**	**196,100**
Income tax (expense)/benefit	6-32	(32,585)	(8,050)	(2,964)
Profit for the period		**182,696**	**299,453**	**193,136**
Attributable to owners of the parent		**147,259**	**283,189**	**180,891**
Attributable to non-controlling interests	6-33	35,437	16,264	12,244
Other comprehensive income				
Actuarial gains and losses	6-13	84		
Deferred tax effect				
Items in the accounts of associates that will not be reclassified to profit or loss				
Items that will not be reclassified to profit or loss		*84*	–	–
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	6-30	24,036	(13,076)	(10,156)
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	6-32	(535)	(138)	(528)
Revaluation of owner-occupied property		–	–	1,179
Items in the accounts of associates that may be reclassified subsequently to profit or loss	6-4	3,879	–	–
Items that may be reclassified subsequently to profit or loss		*27,380*	*(13,215)*	*(9,505)*
Other comprehensive income		**27,464**	**(13,215)**	**(9,505)**
Comprehensive income		**210,160**	**286,238**	**183,631**
Attributable to owners of the parent		**174,214**	**269,974**	**171,386**
Attributable to non-controlling interests		35,946	16,264	12,244
Earnings per share	6-34	€3.20	€6.14	€3.89

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the period attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2011	93,058	1,084,110	22,621	(19,953)	(37,001)	624,577	180,891	1,948,300	89,116
Movements for the period									
Profit for the period							283,189	283,189	16,264
Other comprehensive income, net of tax					(13,215)			(13,215)	
Comprehensive income	–	–	–	–	**(13,215)**	–	**283,189**	**269,974**	**16,264**
Appropriation of profit		(21,219)				202,110	(180,891)	–	
Treasury share transactions				1,852				1,852	
Gains and losses on sales of treasury shares				(187)				(187)	
Reclassification of hedging instruments					9,645			9,645	
Impact of associates						2,549		2,549	
Share-based payments						329		329	
Dividends paid to owners of the parent		(32,262)				(64,475)		(96,737)	(1,411)
Changes in scope of consolidation					905			905	94,062
Equity at 31 December 2012	93,058	1,030,630	22,621	(18,289)	(39,666)	765,090	283,189	2,136,630	198,031
Movements for the period									
Profit for the period							147,259	147,259	35,437
Other comprehensive income, net of tax					26,871	84		26,955	509
Comprehensive income	–	–	–	–	**26,871**	**84**	**147,259**	**174,214**	**35,946**
Appropriation of profit		(41,927)				325,116	(283,189)	–	
Treasury share transactions				46				46	
Gains and losses on sales of treasury shares				9				9	
Share-based payments						570		570	
Dividends paid to owners of the parent		(64,520)				(32,254)		(96,774)	(3,107)
Equity at 31 December 2013	93,058	924,183	22,621	(18,234)	(12,795)	1,058,605	147,259	2,214,695	230,871

D – Consolidated Statement of Cash Flows

(in thousands of euros)		2013	2012	2011
Cash flows from operating activities:				
Profit for the period attributable to owners of the parent		147,259	283,189	180,891
Gains and losses from remeasurement at fair value of investment properties		(145,310)	(236,260)	(98,094)
Depreciation and amortisation expense		1,018	850	137
Net additions to/(reversals of) provisions		(1,027)	81	51
Net (gains)/losses from disposals of assets, after tax		196	4	(7,670)
Discounting adjustments and valuation (gains)/losses on financial instruments		17,560	16,191	4,622
Deferral of rent-free periods		(4,231)	(1,250)	(10,574)
Employee benefits		570	329	115
Share of profits of associates		(20,969)	(20,967)	(18,703)
Non-controlling interests in profit for the period		35,437	16,264	12,244
Other movements		20	–	(671)
Cash flow after finance costs and income tax		**30,523**	**58,432**	**62,348**
Finance costs		53,085	56,009	49,113
Income tax		32,585	8,050	2,964
Cash flow before finance costs and income tax		**116,193**	**122,492**	**114,425**
Change in working capital		*(9,991)*	*(12,450)*	*6,360*
Dividends received from associates		9,066	3,065	4,723
Interest paid		(58,852)	(66,937)	(49,001)
Interest received		246	2,940	5,096
Income tax paid		(8,057)	(4,794)	(3,717)
Net cash provided by operating activities		**48,606**	**44,315**	**77,886**
Cash flows from investing activities:				
Acquisitions of and improvements to investment properties		(131,993)	(103,075)	(56,354)
Acquisitions of intangible assets and property and equipment		(3,014)	(4,689)	(7,893)
Acquisitions of subsidiaries, net of the cash acquired	6-37	–	8,931	–
Proceeds from disposals of investment properties, intangible assets and property and equipment	6-37	290,109	(4)	49,795
Proceeds from disposals of subsidiaries, net of the cash sold		–	–	–
Other cash inflows and outflows		78	(2)	(99)
Net cash provided/(used) by investing activities		**155,180**	**(98,839)**	**(14,550)**
Cash flows from financing activities:				
Proceeds from the issue of ordinary shares		–	–	–
Purchases and sales of treasury shares, net		55	1,664	(929)
Dividends paid to owners of the parent		(96,774)	(96,737)	(96,693)
Dividends paid to non-controlling interests		(3,107)	(1,411)	(2,284)
Proceeds from new borrowings		265,867	1,140,313	867,991
Repayments of borrowings		(357,081)	(925,173)	(855,071)
Other		(12,881)	(47,489)	1,438
Net cash provided/(used) by financing activities		**(203,920)**	**71,167**	**(85,548)**
Net change in cash and cash equivalents		**(135)**	**16,644**	**(22,212)**
Cash and cash equivalents at beginning of period	6-37	(1,410)	(18,053)	4,159
Cash and cash equivalents at end of period	6-37	(1,544)	(1,410)	(18,053)
Net change in cash and cash equivalents		**(135)**	**16,644**	**(22,212)**

Cash and cash equivalents in the statement of cash flows are stated net of bank overdrafts.

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

1-1) Accounting standards

As required under European Commission regulation (EC) 16/06/2002 dated 19 July 2002, the consolidated financial statements have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.

The following new or amended standards had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2013:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- Amendment to IAS 27 – Consolidated and Separate Financial Statements
- Amendment to IAS 28 – Investments in Associates and Joint Ventures
- Amendment to IAS 32 – Offsetting of Financial Assets and Financial Liabilities
- Amendment to IFRS 7 – Improving Disclosures about Financial Instruments: Offsetting of Financial Assets and Financial Liabilities
- IFRS 9 – Financial Instruments

The following new standards and interpretations were applicable from 1 January 2013:

- Amendments to IAS 1 – Presentation of Financial Statements: Presentation of Other Comprehensive Income
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (see Note 1-8)
- Amendment to IAS 19 – Employee Benefits (see Note 2-14)
- IFRS 13 – Fair Value Measurement (See Note 2-4)

The amendments to IAS 1 – Presentation of Financial Statements: Presentation of Other Comprehensive Income, applicable from 1 January 2013 with retrospective effect from 1 January 2012, concern the presentation of items reported under "Other comprehensive income" in the consolidated statement of comprehensive income and require items that may be reclassified subsequently to profit or loss to be presented separately from items that will not be reclassified.

1-2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.
The Group has chosen to measure investment properties using the fair value model (see Note 2-3).

1-3) Basis of consolidation

The consolidated financial statements include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same period as those of SFL and have been prepared according to the same accounting policies. Intragroup transactions are eliminated in consolidation.

Subsidiaries are consolidated from the date when control is acquired and are removed from the scope of consolidation when control is transferred outside the Group. When SFL ceases to exercise control over a subsidiary, the consolidated financial statements include the subsidiary's results for the period from the beginning of the year to the date when control is transferred.

Material companies in which SFL exercises exclusive control, pursuant to the terms of a shareholders' pact, through ownership of the majority of voting rights or otherwise, are fully consolidated.

1-4) Joint ventures

Joint ventures are consolidated by the proportional method based on the Group's percentage interest. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The accounting policies applied by joint ventures comply with IFRS and are consistent with the Group's accounting policies.

After taking control of Parholding and its subsidiaries on 31 December 2012 and following the signature of a new shareholders' pact, SFL no longer has any interests in joint ventures.

1-5) Associates

Associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes its share of the associate's profit.

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

1-6) Business combinations

In accordance with IFRS 3 (revised), the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative expenses and other expenses not included in the cost of the business combination are recognised as an expense when incurred.

The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3 are treated as direct acquisitions of the underlying property.

1-7) Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. Transactions in foreign currency are initially recognised in the functional currency by applying the exchange rate on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the closing rate. Translation differences are recognised in the statement of comprehensive income.

SFL does not have any foreign currency transactions.

1-8) Income tax expense

The results of businesses subject to income tax are taxed at the standard rate.
For businesses subject to income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

Application of the amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets had no material impact on SFL's consolidated financial statements for 2013.

II - Measurement Methods

2-1) Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38. They are amortised by the straight-line method over five years.

2-2) Property and equipment

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Washington Plaza building used by the Group for administrative purposes.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. If the fair value of an asset is less than its carrying amount, an impairment loss is recognised.

The gain or loss arising from derecognition of an item of property or equipment, corresponding to the difference between the net disposal proceeds and the carrying amount of the item, is included in profit when the item is derecognised.

2-3) Investment property

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both.

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. The properties are not depreciated.

The market value of the Group's investment property is determined based on valuations performed by independent experts.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The fair values of investment properties carried in the Group's statement of financial position correspond to the prices obtained from independent valuations performed using the method described below.
Changes in fair value, which are recognised in the statement of comprehensive income under "Gains and losses from remeasurement at fair value of investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

The change in fair value is adjusted to exclude the effects of specific lease terms or provisions recognised under other asset captions and included in the fair value calculation, to avoid these effects being taken into account twice.

Valuation method

SFL's entire property portfolio was valued at 31 December 2013 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate. The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states: "Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:
- Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
- When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
- An independent valuer may serve for no more than two 4-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."

SFL's portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio, as follows (the percentages below are determined on the basis of the Group's share of the total value of the properties, excluding transfer costs):
- CBRE: 31%
- Jones Lang LaSalle: 38%
- BNP Paribas Real Estate: 31%

The firms ensure that their internal teams are rotated as required, and concurring appraisals are organised every six months on a portion of the assets in the portfolio. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

The properties are valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Assumptions concerning future revenue flows take into account passing rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index, the ILAT office rent index and the IRL residential property rent index.
Each property was analysed in detail, based on the surface of each designated area, lease by lease. The valuers noted that rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.
Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs for the period until the units are re-let and any rent-free period expected to be granted. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure to achieve the asset's highest and best use as defined in IFRS 13.

Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 6.20% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs.
However, given that these appraisal values are essentially estimates that are sensitive to changes in rental values and discount rates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the period-end.

2-4) Measurement of investment properties at fair value

IFRS 13 – Fair Value Measurement, applicable prospectively from 1 January 2013, establishes a single definition of fair value and describes all the information concerning fair value to be disclosed in the notes to the financial statements.

Fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The valuation of investment properties (see Note 2-3) takes into account this definition of fair value.

In IFRS 13, fair value measurements are categorised into a three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Due to the nature of the investment property market in France and the characteristics of SFL's investment properties, the most meaningful inputs, particularly market rents, investment yields and/or discount rates, represent Level 3 inputs.

Some buildings could not be valued according to their highest and best use, including:

- **96 Avenue d'Iéna**, 75016 Paris: renovations are planned for this building, but the project is not yet firm enough to be taken into account in fair value measurements.
- **Louvre des Antiquaires**, 75001 Paris: layout changes could lead to an upward revaluation of the retail area of the Louvre des Antiquaires/Louvre des Entreprises complex, but these plans are not yet firm enough to be taken into account in fair value measurements.

2-5) Recoverable amount of non-current assets

IAS 36 defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

IAS 36 – Impairment of Assets applies to intangible assets, property and equipment, investments in associates, other financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

At each period-end, the Group assesses whether there is any indication that any assets in the above categories may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised. Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value. The appraisals referred to above serve to identify any impairment of properties or shares in property companies.

2-6) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

2-7) Investment properties held for sale

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

In practice, investment properties are reclassified as held for sale when their sale has been decided by the Board of Directors or a selling agent has been appointed. They continue to be measured at fair value after reclassification.

2-8) Financial instruments (other than derivatives)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognised at fair value.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Marketable securities held by the Group are measured at fair value at the period-end.

2-9) Amounts receivable from tenants and trade receivables

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are recognised on a case-by-case basis for the difference between the receivables' carrying amount and recoverable amount.

2-10) Cash and cash equivalents

Cash and cash equivalents carried in the statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months. They are short-term, highly liquid investments that are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.
Cash equivalents are measured at fair value, in accordance with IAS 39.

2-11) Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, net of directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

2-12) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted. This applies to the exit tax payable in four annual instalments following election for SIIC status.
Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation. The present value measurement is performed using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

2-13) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the statement of comprehensive income, the provision expense is presented net of the amount recognised for the reimbursement.

2-14) Employee benefits

Long-term benefits consist mainly of length-of-service awards payable to employees on retirement. Long-term employee benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period. The projected benefit obligation is calculated annually based on actuarial assumptions including a retirement age of 65.

The amendments to IAS 19 – Employee Benefits are applicable from 1 January 2013 with retrospective application to 2012. The main impacts for SFL are as follows:

- Following elimination of the corridor approach, actuarial gains and losses have been recognised in equity at 1 January 2013. As actuarial gains and losses at 1 January 2012 were not material, comparative information has not been restated for this change.
- Actuarial gains and losses generated after 1 January 2013 are recognized immediately in Other Comprehensive Income and will not be reclassified subsequently to profit or loss.

2-15) Treasury shares

Treasury shares are recorded as a deduction from equity.

2-16) Share-based payments (IFRS 2)

Stock options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over their vesting period.

2-17) Finance leases

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is recognised directly in finance costs. Investment properties acquired under finance leases are measured at fair value at each period-end.

2-18) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange rates). These instruments are measured at fair value at each period-end.

Financial instruments are measured using standard market valuation methods, taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13).

For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.

For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised in profit.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument recognised directly in equity is reclassified into profit when the forecast transaction occurs. If the forecast transaction is no longer highly probable, any related gain or loss on the hedging instrument recognised directly in equity is reclassified into profit over the period until the date when the forecast transaction was originally expected to occur.

2-19) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably. The revenue recognition criteria applied by the Group are as follows:

Property rentals

Property rentals from investment properties are recognised on a straight-line basis over the lease term.

Specific lease terms

Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation.

In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step up clauses are recognised over the non-cancellable lease term.

Key money received by the lessor is recognised in property rentals over the non-cancellable lease term.

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in profit on the payment date.

Eviction compensation may be paid to secure the departure of a tenant, either to allow renovation work to be performed or so that the property can be re-let at a higher rent. In both cases this has the effect of increasing the asset's value and the compensation is therefore capitalized as part of the cost of the asset.

Asset sales

Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

2-20) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note 2-3).

All of the Group's financial instruments are measured using standard market valuation models (see Note 2-18).

III - Segment Information

The Group's properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as a separate reportable segment. They are grouped into geographical segments according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Headquarters	Total
Property rentals	123,450	5,206	20,659	–	149,315
Property expenses, net of recoveries	(11,322)	(322)	(654)	–	(12,298)
Net property rentals	**112,128**	**4,884**	**20,005**	**–**	**137,017**
Service and other revenues	–	–	–	29	29
Other income	1,354	88	12	1,025	2,479
Depreciation and amortisation expense	(434)	–	–	(584)	(1,018)
Provision (expense)/reversals, net	(346)	–	715	1,042	1,411
Employee benefits expense	–	–	–	(11,599)	(11,599)
Other expenses	–	–	–	(8,476)	(8,476)
Profit/(loss) on disposal of investment properties	(196)	–	–	–	(196)
Gains and losses from remeasurement at fair value of investment properties	135,864	(1,280)	10,726	–	145,310
Operating profit	**248,371**	**3,692**	**31,458**	**(18,563)**	**264,957**
Share of profits of associates	–	–	20,969	–	20,969
Finance costs and other financial expenses	–	–	–	(64,268)	(64,268)
Financial income	–	–	–	11,184	11,184
Gains and losses from remeasurement at fair value of financial instruments	–	–	–	(18,158)	(18,158)
Discounting adjustments to receivables and payables	–	–	–	598	598
Provision expense, net - financial assets	–	–	–	–	–
Profit before income tax	**248,371**	**3,692**	**52,427**	**(89,208)**	**215,282**
Income tax (expense)/benefit	(28,566)	–	(1,436)	(2,583)	(32,585)
Profit for the period	**219,805**	**3,692**	**50,991**	**(91,792)**	**182,696**
Attributable to owners of the parent	178,019	3,692	50,991	(85,443)	147,259
Attributable to non-controlling interests	41,786	–	–	(6,348)	35,437
Other comprehensive income					
Actuarial gains and losses	–	–	–	84	84
Deferred tax effect	–	–	–	–	–
Items in the accounts of associates that may be reclassified subsequently to profit or loss	–	–	–	–	–
Items that will not be reclassified to profit or loss	***–***	***–***	***–***	***84***	***84***
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	–	–	–	24,036	24,036
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	–	–	–	(534)	(534)
Items in the accounts of associates that may be reclassified subsequently to profit or loss	–	–	–	3,879	3,879
Items that may be reclassified subsequently to profit or loss	***–***	***–***	***–***	***27,380***	***27,380***
Other comprehensive income	–	–	–	**27,464**	**27,464**
Comprehensive income	**219,805**	**3,692**	**50,991**	**(64,328)**	**210,160**
Attributable to owners of the parent	178,019	3,692	50,991	(58,489)	174,214
Attributable to non-controlling interests	41,786	–	–	(5,839)	35,946

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Headquarters	Total
Segment assets	3,147,725	305,847	688,701	1,911	4,144,184
Unallocated assets	–	–	–	94,540	94,540
Total assets	3,147,725	305,847	688,701	96,451	4,238,723

Segment assets correspond to the Group's property assets.

No segment analysis of liabilities is presented, as they correspond primarily to unsecured financing for general corporate purposes and unsecured bonds which are not allocated to any specific segment.

The Group's main geographical segments are as follows:

- Paris Central Business District: market comprising the Golden Triangle and the Financial District, spanning parts of the 1st, 2nd, 9th, 8th, 16th and 17th arrondissements of Paris. The segment extends from avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue du Sentier and rue du Faubourg-Poissonnière in the east, and from avenue de Villiers and boulevard Malesherbes in the north to rue de Rivoli and the banks of the Seine up to Trocadero in the south.
- Western Crescent: market located to the west of Paris on the other side of the Boulevard Périphérique ring-road, comprising notably Neuilly, Boulogne, Issy-les-Moulineaux and Levallois.
- Other: corresponding to the rest of Paris, outside the Central Business District.

These geographic segments have been defined by the main Paris-based real estate professionals by combining neighbourhoods with similar economic features.

IV - Significant Events of the Period

4-1) Redevelopment and renovation programmes

Redevelopment projects:

– Work on the In/Out project in Boulogne, which began in January 2012, was completed on schedule in the second half of 2013. The building, which is currently being advertised for lease, has been in use since 31 October 2013.

– Remodelling began on the building at 81-83 rue de Richelieu (#Cloud) in the second half of 2012, and a general contractor was selected in January 2013. The major demolition and reconstruction work has proceeded on schedule and delivery is set for the second half of 2015.

On 8 February 2013, SFL sold the building at 251 rue Saint-Honoré in the first arrondissement of Paris, which is occupied by the Mandarin Oriental Paris hotel and two luxury boutiques, to the Mandarin Oriental Hotel Group. The property was sold for a net sale price of €290 million, in accordance with the terms agreed in November 2012.

4-2) Financing

On 4 July 2013, SFL obtained a new €400 million five-year syndicated revolving line of credit at the 3-month Euribor plus a spread of 200 bps. This new line of credit, which replaces an existing €300-million facility obtained in October 2009, improves the Group's liquidity position, reduces its spread, and extends the maturity of debt.

SFL repaid a €40.8 million RBS mortgage loan at maturity at the end of October 2013.

In addition, at the end of the finance lease on the Rives de Seine property, SFL exercised the purchase option at the contract price of €47.8 million, leading to an exit tax liability of €11.8 million. As from the date of exercise, the property has been eligible for SIIC tax exemption.

4-3) Tax audits

In first-half 2013, the Paris Administrative Court of Appeal dismissed two applications submitted in 2010 by SFL, contesting the tax authorities' decision to challenge (i) the method used by the Group to calculate provisions for major repairs and (ii) the breakdown of the value of certain properties in the accounts between the value of the land and that of the building.

A €968 thousand tax charge was therefore recorded in the first-half 2013 accounts. This had no impact on profit for the year as an equivalent amount was released from the provisions set aside for these reassessments in the financial statements at 31 December 2012.

SFL is currently undergoing a tax audit covering the years 2010 to 2012. The tax authorities have notified the Company of a proposed €2.9 million reassessment of the 2010 tax base that would reduce tax losses recorded in that year, without any material impact on the amount of tax due. SFL is nevertheless contesting the reassessment, which concerns the allocation of expenses between "SIIC" and "non-SIIC" tax bases. No provision as been set aside for the reassessment as a result.

4-4) Subsequent events

None.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	–	–
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
Associated companies accounted for by the equity method			
SIIC de Paris	303 323 778	29.63	29.63

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.14% of the capital at 31 December 2013.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below.

6-1) Intangible assets

	31 December 2011	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2012
Cost						
Computer software	3,790	28	–	41	–	3,859
Other intangible assets	31	533	(23)	(41)	–	500
Accumulated amortisation						
Computer software	(3,399)	(148)	–	–	–	(3,547)
Other intangible assets	–	–	–	–	–	–
Carrying amount	423	413	(23)	–	–	813

	31 December 2012	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2013
Cost						
Computer software	3,859	–	–	830	–	4,690
Other intangible assets	500	1,029	(20)	(490)	–	1,020
Accumulated amortisation						
Computer software	(3,547)	(278)	–	–	–	(3,825)
Other intangible assets	–	–	–	–	–	–
Carrying amount	813	751	(20)	340	–	1,884

6-2) Property and equipment

	31 December 2011	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2012
Cost						
Owner-occupied property	21,238	–	–	–	–	21,238
Equipment	3,527	259	–	–	7	3,793
Accumulated depreciation						
Owner-occupied property	(239)	(434)	–	–	–	(673)
Equipment	(752)	(268)	–	–	–	(1,020)
Carrying amount	23,774	(443)	–	–	7	23,338

	31 December 2012	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2013
Cost						
Owner-occupied property	21,238	–	–	–	–	21,238
Equipment	3,793	63	(157)	99	–	3,798
Accumulated depreciation						
Owner-occupied property	(673)	(434)	–	–	–	(1,107)
Equipment	(1,020)	(306)	157	–	–	(1,169)
Carrying amount	23,338	(677)	–	99	–	22,760

The appraisal value of owner-occupied property – corresponding to the Company's headquarters – was €28,324 thousand at 31 December 2013 and €29,188 thousand at 31 December 2012.

6-3) Investment property

	31 December 2011	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Changes in scope of consolidation	31 December 2012
Fair value								
Investment properties	3,181,626	138,734	200,473	(4)	(6,055)	(244,575)	258,608	3,528,807
Total	3,181,626	138,734	200,473	(4)	(6,055)	(244,575)	258,608	3,528,807

	31 December 2012	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Changes in scope of consolidation	31 December 2013
Fair value								
Investment properties	3,528,807	134,445	160,263	(6)	(12,972)	(14)	–	3,810,524
Total	3,528,807	134,445	160,263	(6)	(12,972)	(14)	–	3,810,524

	31 December 2013	31 December 2012	31 December 2011
Appraisal value of investment properties	3,846,024	3,559,681	3,211,782
Adjustments to reflect specific lease terms	(35,500)	(30,874)	(30,155)
Fair value of investment properties in the statement of financial position	3,810,524	3,528,807	3,181,626

Investment properties are valued by independent experts at half-yearly intervals. The valuations are based on unobservable inputs categorised as Level 3 in the fair value hierarchy defined in IFRS 13. Given the nature of SFL's business, the characteristics of its properties and the associated risks, asset classes are based on geographical location.

The table below shows the fair value measurement parameters for each asset class:

Asset class	Value excluding transfer costs 31 December 2013 €m (100%)	Parameters	Range of values(1)	Weighted average(1)
Paris Central Business District	3,177	Market rent for offices Exit yield Discount rate	€535 - €730 4.50% - 5.50% 5.20% - 7.15%	€655 5.08% 5.97%
Other Paris	391	Market rent for offices Exit yield Discount rate	€480 - €630 5.25% 5.75% - 6.40%	€542 5.25% 6.08%
Western Crescent	306	Market rent for offices Exit yield Discount rate	€260 - €450 5.75% - 6.50% 6.75% - 7.25%	€421 5.84% 6.98%
Total	3,874			

(1) offices.

An increase in market rent for offices automatically leads to an increase in appraisal values and vice-versa, while an increase in exit yields and discount rates automatically leads to a decrease in appraisal values and vice-versa.

6-4) Investments in associates

	% interest	31 December 2011	31 December 2012	Dividends received	Share of profit	Other movements	31 December 2013
SIIC de Paris	29.63%	266,106	286,560	(9,066)	20,969	3,879	302,341
Total		266,106	286,560	(9,066)	20,969	3,879	302,341

The 29.63% interest in SIIC de Paris was valued at €302,341 thousand at 31 December 2013 versus €286,560 thousand at 31 December 2012.
Based on SIIC de Paris's closing share price on 31 December 2013 of €17.00, the market value of the shares was €217,082 thousand.

6-5) Financial assets

	31 December 2011	31 December 2012	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	31 December 2013
Investments in non-consolidated companies	1,071	1,071	–	–	–	–	1 071
Provisions for impairment	(1,071)	(1,071)	–	–	–	–	(1,071)
Investments in non-consolidated companies, net	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deposits	635	770	1	–	(79)	-	692
Hedging instruments	5,806	–	–	–	–	–	–
Total	6,442	770	1	–	(79)	–	692

Provisions maintained in the statement of financial position since 31 December 2010 for impairment of investments in non-consolidated companies concern Groupe Vendôme Rome, which has a negative net worth and has been written down in full.

6-6) Other non-current assets

	31 December 2013	31 December 2012	31 December 2011
Deferred tax assets	6	12	478
Other receivables	208	163	40
Prepayments	6,669	5,178	1,286
Total	6,884	5,352	1,803

Deferred tax assets are analysed in Note 6-32.
Prepayments correspond mainly to advances paid on long-term contracts for building restructuring work.

6-7) Investment properties held for sale

	31 December 2011	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2012
Fair value								
Investment properties held for sale	360	–	41,907	–	(65)	244,575	–	286,777
Total	360	–	41,907	–	(65)	244,575	–	286,777

	31 December 2012	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2013
Fair value								
Investment properties held for sale	286,777	1,973	–	(286,772)	(1,981)	3	–	–
Total	286,777	1,973	–	(286,772)	(1,981)	3	–	–

	31 December 2013	31 December 2012	31 December 2011
Appraisal value of investment properties held for sale	–	290,305	360
Adjustments to reflect specific lease terms	–	(3,528)	–
Fair value of investment properties held for sale in the statement of financial position	–	286,777	360

No properties were classified as held for sale at 31 December 2013. All investment properties held for sale at 1 January were sold during the period.

6-8) Trade and other receivables

	31 December 2013			31 December 2012	31 December 2011
	Total	Due within 1 year	Due in more than one year	Total	Total
Trade receivables	44,130	11,691	32,439	43,785	35,739
Provisions	(1,933)	–	(1,933)	(2,327)	(2,456)
Trade receivables	**42,197**	**11,691**	**30,507**	**41,458**	**33,284**
Prepayments to suppliers	30	30	–	40	228
Employee advances	39	39	–	44	43
Tax receivables (other than income tax)	19,002	19,002	–	16,302	12,076
Other operating receivables	1,569	1,569	–	1,305	5,726
Other receivables	176	176	–	285	251
Other receivables	**20,817**	**20,817**	**–**	**17,977**	**18,324**
Total	63,014	32,507	30,507	59,435	51,608

Receivables include €35,500 thousand (of which €28,594 thousand reported under non-current assets) corresponding to the impact of rent-free periods and other special lease terms that is deferred over the non-cancellable lease term in accordance with IFRS.

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	31 December 2013	31 December 2012	31 December 2011
Increases	(434)	(103)	(14)
Reversals	818	231	553
Bad debt write-offs, net of recoveries	(2)	(120)	(14)
Total	382	8	526
Future minimum lease payments	149,315	150,202	151,599
Net losses as a % of property rentals	(0.26%)	(0.01%)	(0.35%)

6-9) Other current assets

	31 December 2013	31 December 2012	31 December 2011
Accrued interest on hedging instruments	–	–	138
Income tax prepayments	1,345	967	2,609
Other prepayments	249	450	831
Total	1,594	1,417	3,579

6-10) Cash and cash equivalents

	31 December 2013	31 December 2012	31 December 2011
Cash at bank and in hand	344	5,625	3,231
Short-term investments	28,688	19,293	8,266
Total	29,032	24,918	11,498

Short-term investments are measured at fair value. They break down as follows:

	31 December 2013	31 December 2012	31 December 2011
Rothschild money market fund	1,397	1,077	500
HSBC money market fund	–	–	4,907
Crédit Agricole money market fund	10,271	2,967	2,859
Natixis marketable securities	17,019	15,249	–
Total	28,688	19,293	8,266

6-11) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

	31 December 2011	31 December 2012	Increases	Decreases	31 December 2013
Number of shares	498,482	441,250	110,577	112,296	439,531
Average purchase/sale price, in euros	€54.51	€57.38	€38.69	€38.50	€57.51
Total, in thousands of euros	27,173	25,321	4,278	(4,323)	25,276

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

6-12) Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion			Short-term portion		
			31 December 2013	31 December 2012	31 December 2011	31 December 2013	31 December 2012	31 December 2011
Bonds:								
2011 €500 million issue	4.63%	25-May-16	500,000	500,000	500,000	14,001	14,002	14,196
2012 €500 million issue	3.50%	28-Nov-17	500,000	500,000	–	1,630	1,630	–
Bank loans								
Natixis 2005 syndicated loan	3-month Euribor + 40 bps (end of drawdown period)	26-Jan-12	–	–	–	–	–	200,026
Natixis 2010 syndicated loan	3-month Euribor + 215 bps (end of drawdown period)	17-Dec-15	–	45,000	40,000	–	64	209
BNP Paribas syndicated loan	3-month Euribor + 200 bps (end of drawdown period)	4-Jul-18	50,000	–	–	149	–	–
HSBC/CA CIB/CFF loan	3-month Euribor + 250 bps (29th of last month of the quarter)	25-Sep-12	–	–	–	–	–	76,130
BancoSabadell loan	3-month Euribor + 60 bps (calendar quarter end)	28-Feb-12	–	–	–	–	–	50,005
BECM revolving facility	1-month Euribor + 50 bps (end of drawdown period)	5-May-14	–	150,000	150,000	150,013	3	15
Royal Bank of Scotland	3-month Euribor + 56 bps (calendar quarter end)	31-Oct-13	–	–	40,800	–	40,801	4
Deutsche Hypothekenbank revolving facility (€50 million)	3-month Euribor + 55 bps (end of drawdown period)	23-Oct-12	–	–	–	–	–	50,011
Cadif loan	1-month Euribor + 80 bps (end of drawdown period)	31-Dec-13	–	–	–	18,001	15,002	15,008
Natixis – Deka – Deutsche Hypo	3-month Euribor + 185 bps (calendar quarter end)	25-Sep-17	202,199	204,257	–	2,789	2,010	–
Lease liabilities								
131, Wagram	3-month Euribor + 200 bps (calendar quarter end)	14-Jun-16	30,061	32,851	35,641	2,790	2,790	2,790
Rives de Seine	6-month Euribor + 75 bps 29 April & 29 October	29-Oct-13	–	–	53,668	–	53,668	11,353
Hedging instruments with a negative fair value								
CA CIB swap	2.2180%	25-Sep-12	–	–	–	–	–	863
BNP Paribas swap	2.3750%	31-Mar-12	–	–	–	–	–	123
JPMorgan swap	12-month Euribor + 141.50 bps with 5.0850% cap	11-Oct-12	–	–	21,456	–	–	1,865
RBS swap	3.8900%	31-Oct-13	–	–	2,158	–	1,279	6
BNP Paribas swap	2.2300%	30-Nov-12	–	–	1,792	–	–	3
HSBC swap	2.1720%	15-Feb-13	–	2,982	1,793	–	3	3
HSBC swap	2.3050%	15-Feb-13	–	6,775	4,120	–	6	7
BNP Paribas swap	1.8600%	30-Nov-12	–	–	1,103	–	–	3
CA CIB swap	2.5300%	30-Nov-12	–	–	3,806	–	–	–
Cadif swap	2.1750%	30-Nov-12	–	–	4,135	–	–	–
CA CIB swap	2.5000%	30-Nov-12	–	–	5,576	–	–	–
HSBC swap	1.9500%	30-Nov-12	–	–	4,323	–	–	–
CM CIC swap	1.8460%	18-Feb-13	–	5,607	1,653	–	411	–
Natixis - Deka - Nord LB swaps	0.8825%	25-Sep-17	639	2,759	–	208	219	–
Bank overdrafts	Various		–	–	–	30,576	26,327	29,464
Current account advances	Various		71,994	68,888	57,557	365	1,398	322
Impact of deferred recognition of debt arranging fees			(9,570)	(11,373)	(7,603)	(4,262)	(4,641)	(3,263)
Total			**1,345,323**	**1,507,746**	**921,978**	**216,260**	**154,972**	**449,143**

The following table analyses borrowings by maturity:

	31 December 2013	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2012
Syndicated loans	50,149	149	50,000	–	45,064
Bonds	1,015,631	15,631	1,000,000	–	1,015,632
BECM revolving facility	150,013	150,013	–	–	150,003
Royal Bank of Scotland loan	–	–	–	–	40,801
Natixis-Deka-Deutsche Hypothekenbank loan	204,988	2,789	202,199		206,267
Lease financing	32,851	2,790	30,061	–	89,309
Cadif loan	18,001	18,001	–	–	15,002
Current account advances (liabilities)	72,359	365	71,994	–	70,286
Deferred debt arranging fees	(13,832)	(4,262)	(9,570)	–	(16,014)
Natixis - Deka -Nord LB swaps	847	208	639	–	2,978
RBS swap at 3.89%	–	–	–	–	1,279
HSBC swap at 2.172%	–	–	–	–	2,985
HSBC swap at 2.305%	–	–	–	–	6,781
CM-CIC swap at 1.846%	–	–	–	–	6,018
Bank overdrafts	30,576	30,576	–	–	26,327
Total	**1,561,583**	**216,260**	**1,345,323**	**–**	**1,662,718**

At 31 December 2013, SFL had access to confirmed undrawn lines of credit representing €700,000 compared with €605,000 thousand at 31 December 2012.

Current account advances correspond to Prédica's minority interest in SCI Washington and SAS Parholding.

Hedging instruments are presented at their fair value (including credit risk) plus accrued interest payable as of 31 December 2013.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 31 December 2013	Actual ratios at 31 December 2012	Acceleration clauses[1]
Natixis syndicated loan	Loan-to-value (LTV) <= 50%	35.8%	38.0%	Loan default
				Cross default
	Interest cover >= 2x	2.3	2.2	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	5.8%	8.2%	Breach of financial covenants
				Material adverse event
	Unrestricted property portfolio value >= €2bn	€3.3 billion	€3.1 billion	
BNP Paribas syndicated loan	LTV <= 50%	35.8%	38.0%	Loan default
				Cross default
	Interest cover >= 2x	2.3	2.2	Termination of operations
				Bankruptcy proceedings
	Secured LTV <= 20%	5.8%	8.2%	Breach of financial covenants
				Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	€3.3 billion	€3.1 billion	Material adverse event
BECM revolving facility	Loan-to-value (LTV) <= 50%	39.6%	42.2%	Loan default
				Cross default
	Interest cover >= 2x	2.3	2.2	Termination of operations
				Bankruptcy proceedings
	Secured LTV <20%	6.1%	8.6%	Breach of financial covenants
				Loss of SIIC status
	Property portfolio value > €2bn	€3.9 billion	€3.9 billion	Change of control
				Material adverse event
	Total surface area/Surface area under renovation < 30%	14.9%	26.3%	

(1) Non-exhaustive list

The Group was not in breach of any of its financial covenants at 31 December 2013.

6-13) Short and long-term provisions

	31 December 2011	31 December 2012	Increases	Decreases	*o/w utilisations*	Reclassifications	31 December 2013
Provisions for taxes other than on income	1,137	968	–	(968)	*(968)*	–	–
Provisions for employee benefits	847	893	60	(287)	*(287)*	(84)	582
Long-term provisions	**1,984**	**1,861**	**60**	**(1,255)**	***(1,255)***	**(84)**	**582**
Provisions for refurbishment work and tenant claims	111	166	15	–	–	–	181
Provisions for employee benefits	–	150	153	–	–	–	303
Short-term provisions	**111**	**316**	**168**	**–**	**–**	**–**	**484**
Total	2,095	2,176	228	(1,255)	*(1,255)*	(84)	1,066

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €582 thousand.

The projected benefit obligation is calculated at half-yearly intervals based on actuarial assumptions, including a discount rate of 3.17% and a 2.00% rate of future salary increases. Actuarial gains and losses are recognised in equity.

The Group's employee benefits plans are as follows:

– Length-of-service awards payable to employees on retirement: the lump sum benefit payable under this plan is specified in a corporate agreement signed with employee representatives.

– Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.

– Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €20 thousand at 31 December 2013 and €27 thousand at 31 December 2012.

6-14) Deferred taxes

See Note 6-32.

6-15) Other long-term tax liabilities

This item corresponds mainly to the exit tax due as a result of:

– the early exercise, in 2011, of the finance lease purchase option on the Quai Le Gallo property in Boulogne. The €3.7 million tax liability is payable in four annual instalments between 2012 and 2015 and has been discounted.

– the exercise, in October 2013, of the finance lease purchase option on the Rives de Seine property. The €11.8 million tax liability is payable in four annual instalments between 2014 and 2017 and has been discounted.

Due	2015	2016	2017	Total
Amount payable	3,726	2,735	2,646	9,107

6-16) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

6-17) Trade and other payables

	31 December 2013	31 December 2012	31 December 2011
Trade payables	5,717	5,297	7,066
Amounts due within one year on asset acquisitions	30,764	37,341	12,453
Total	36,481	42,638	19,519

At 31 December 2013, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including 46 quai Le Gallo in Boulogne (In/Out) and 81/83 rue de Richelieu in Paris (#Cloud).

6-18) Other current liabilities

Other current liabilities break down as follows:

	31 December 2013	31 December 2012	31 December 2011
Deposits	1,515	1,515	1,484
Customer prepayments	12,400	15,978	19,134
Accrued employee benefits expense	4,873	5,611	5,253
Accrued taxes	6,831	7,172	6,549
Other liabilities	3,297	3,600	2,672
Accruals	6,528	8,623	2,816
Total	35,443	42,499	37,908

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

The amounts reported under "Accruals" correspond to deferred revenue.

6-19) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 97.4% of property rentals. Net property rentals take into account the positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In 2013, this impact was €4,231 thousand.

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

in € thousands at 31 December 2013	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Rents	625,254	143,899	380,719	100,636

	2013	2012	2011
Property rentals	**149,315**	**150,202**	**151,599**
Property operating expenses	(40,710)	(39,720)	(37,915)
Property expenses recovered from tenants	28,412	27,329	27,332
Property expenses, net of recoveries	**(12,298)**	**(12,391)**	**(10,583)**
Net property rentals	**137,017**	**137,811**	**141,016**

The acquisition of Parholding on 31 December 2012 had a positive impact of €13,043 thousand on property rentals, offset mainly by the sale of the Mandarin Oriental building on 8 February 2013.

6-20) Service and other revenues

Service and other revenues amounted to €29 thousand in 2013, compared with €437 thousand in 2012.

6-21) Other income

	2013	2012	2011
Own-work capitalised	792	908	452
Other income	1,687	2,673	2,530
Total	2,479	3,581	2,982

The caption "Other income" corresponds to work billed to third parties and redevelopment project management fees.

6-22) Depreciation and amortisation expense

	2013	2012	2011
Amortisation of intangible assets	(278)	(148)	(148)
Depreciation of property and equipment	(740)	(702)	(609)
Total	(1,018)	(850)	(757)

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns owner-occupied property (corresponding to the Group's headquarters) and miscellaneous equipment.

6-23) Provision (expense)/reversals, net

	2013	2012	2011
Charges to provisions for impairment of current assets	(434)	(103)	(14)
Charges to provisions for operating contingencies and charges	(15)	(146)	(111)
Charges to provisions for other contingencies and charges	(213)	(546)	(1,000)
Total charges	(662)	(796)	(1,124)
Reversals of provisions for impairment of current assets	818	125	553
Reversals of provisions for operating contingencies and charges	–	46	417
Reversals of provisions for other contingencies and charges	1,255	565	643
Total reversals	2,073	736	1,613
Net	1,411	(60)	489

Reversals of provisions for other contingencies and charges in the amount of €1,255 thousand includes €968 thousand in reversals of provisions for tax disputes (see Note 4-3).

6-24) Employee benefits expense

	2013	2012	2011
Wages and salaries	(7,173)	(6,601)	(7,465)
Social security taxes	(3,139)	(2,848)	(2,963)
Death and disability insurance	(73)	(72)	(69)
Other payroll taxes	(469)	(649)	(657)
Other employee benefits	(570)	(329)	(115)
Statutory and discretionary profit-sharing	(175)	(688)	(248)
Total	(11,599)	(11,187)	(11,517)

At 31 December 2013, the Group had 72 administrative employees, compared with 78 at 31 December 2012, and 2 building employees, unchanged from the previous year-end.

The remuneration paid to Company directors and officers (including bonuses, benefits in kind and corporate savings plan rights) amounted to €3,480 thousand in 2013 and €2,695 thousand in 2012.

Stock option plans at 31 December 2013

Date of shareholder authorisation	21 April 2005
Grant date	13 March 2007
Number of shares under option	282,418
Issuer	SFL
Starting date of exercise period	14 March 2011
Expiry date	13 March 2015
Exercise price (options exercisable for newly-issued shares)	–
Exercise price (options exercisable for shares bought back for this purpose)	€60.11
Number of options at 1 January 2013	234,335
Options granted during the period	–
Options exercised during the period	–
Options cancelled during the period	26,038
Number of options outstanding at 31 December 2013	208,297

To calculate the cost of the stock option plans, the options were valued at the grant date using the Black & Scholes method.

Details of performance share plans at 31 December 2013

	Plan 1		Plan 2
Date of shareholder authorisation	9 May 2011		9 May 2011
Grant date	16 February 2012	5 March 2013	16 February 2012
End of vesting period	31 December 2014	31 December 2015	31 December 2013
Expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	32,988	35,144	13,678
Number of performance share rights expected to vest	23,366	24,892	9,688
Fair value per share	€29.08	€31.65	€30.97
Rights cancelled/forfeited	(980)	(897)	–
Number of shares expected to vest at 31 December 2013	22,386	23,995	9,688

The total cost of each performance share plan is calculated by multiplying the number of performance share rights that are expected to vest by the fair value per share.
The number of performance share rights that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate. The estimated vesting rate is 70.83%.
The fair value of the performance shares is determined using the Capital Asset Pricing Model (CAPM), based on the share price on the grant date, adjusted for the discounted present value of future dividends payable during the vesting period.
The total cost calculated as explained above is recognised on a straight-line basis over the vesting period.

The cost of performance share plans recognised in 2013 amounted to €570 thousand (excluding specific employer contributions).

6-25) Other expenses

	2013	2012	2011
Purchases	(109)	(128)	(133)
General subcontracting	(334)	(285)	(239)
Rent (operating leases)	(1,100)	(1,147)	(1,258)
Maintenance and repairs	(171)	(176)	(188)
Fees	(1,893)	(1,748)	(1,775)
Publications and public relations	(852)	(883)	(892)
Bank charges	(269)	(270)	(285)
Taxes other than on income	(1,791)	(1,225)	(1,376)
Travel and entertainment	(340)	(353)	(355)
Non-recurring expenses	(270)	(198)	87
Other	(1,347)	(839)	(847)
Total	(8,476)	(7,252)	(7,262)

6-26) Profit/(loss) on disposal of investment properties

The profit on disposal of investment properties mainly concerns the sale of the Mandarin Oriental building (see Note 4.1).

6-27) Gains and losses from remeasurement at fair value of investment properties

Details of gains and losses from remeasurement of investment properties at fair value are provided in Notes 6-3 and 6-7.

6-28) Share of profits of associates

This item, in an amount of €20,969 thousand corresponds to SFL's share of SIIC de Paris's profit for the period.

6-29) Finance costs and other financial income and expenses

	2013	2012	2011
Interest on bank loans	(53,302)	(43,544)	(39,015)
Interest on lease liabilities	(1,372)	(2,489)	(3,952)
Interest on external current account advances	(720)	(1,434)	(2,020)
Hedging losses	(3,124)	(19,765)	(15,285)
Other financial expenses	(5,751)	(3,594)	(2,693)
Finance costs and other financial expenses	**(64,268)**	**(70,825)**	**(62,965)**
Interest income	22	9	5
Net gains on sales of short-term investments	61	77	142
Hedging gains	–	1,813	782
Financial expense transfers	10,937	12,014	8,755
Other financial income	164	904	4,168
Financial income	**11,184**	**14,816**	**13,852**
Finance costs and other financial income and expenses, net	**(53,085)**	**(56,009)**	**(49,113)**

Financial expense transfers primarily correspond to interest capitalised at the rate of 3.59% on the properties at 46 quai Le Gallo in Boulogne (In/Out) and 81-83 rue de Richelieu (#Cloud) during their redevelopment.

6-30) Financial instruments

Financial risk management objectives and policy

At a time of financial market instability, SFL is prudently managing its financial risks.

1/ Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2013, SFL had access to confirmed undrawn lines of credit in the amount of €700 million, compared with €605 million at 31 December 2012. With its available credit lines, diversified debt structure and the quality of its assets, SFL manages its liquidity risk prudently and effectively.

2/ Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized that these same banks finance a portion of SFL's debt. Counterparty risk is minimal because available cash is generally used to repay borrowings under the Group's revolving line of credit. The rental deposits obtained from tenants offer protection against the risk of rent default. SFL considers that its exposure to counterparty risk on operations is not material.

3/ Market risk

SFL had no exposure to currency risks at 31 December 2013.
Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with fluctuations in financial parameters.

Objectives and strategy

Standard interest rate derivatives and fixed rate borrowings are used with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Hedging instruments are chosen based on a prior analysis of yield curve steepness, market volatility, intrinsic interest rate levels and related projections.

At least 70% of borrowings are hedged over average periods that are aligned as closely as possible with debt maturities while keeping hedging costs at a reasonable level.

At 31 December 2013, 82% of debt was hedged against interest rate risks.

Risk assessment

The average spot cost of debt after hedging stood at 3.34% at 31 December 2013, versus 3.6% at 31 December 2012.

A 50-basis point rise in interest rates across the yield curve in 2013 would have had the effect of increasing the average cost of debt to 3.44%, driving up finance costs by €1,449 thousand or 2.3%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 3.24%, and reduced finance costs by €1,522 thousand or 2.4%.

As for the sensitivity of our hedging instruments at 31 December 2013, a 50-basis point increase in interest rates would improve their fair value by €3,265 thousand (€8,605 thousand at 31 December 2012), while a 50-basis point drop in rates would have a negative impact of €3,344 thousand (€8,833 thousand at 31 December 2012).

Interest rate risk

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk:

	31 December 2013	31 December 2014	31 December 2015	31 December 2016	31 December 2017
Syndicated loans	50,000	50,000	50,000	50,000	50,000
BECM revolving facility	150,000	–	–	–	–
Natixis-Deka-Deutsche Hypothekenbank loan	204,256	202,198	199,883	196,796	–
Lease liabilities	32,851	30,061	27,271	–	–
Current account advances	71,994	71,994	–	–	–
Cadif loan	18,000	–	–	–	–
Total floating rate debt	**527,101**	**354,253**	**277,154**	**246,796**	**50,000**
Natixis - Deka -Nord LB swaps	185,220	185,220	185,220	185,220	–
Total interest rate hedges	**185,220**	**185,220**	**185,220**	**185,220**	**–**
Net unhedged position	341,881	169,033	91,934	61,576	50,000

Accounting treatment of hedging instruments

The net change in value of hedging instruments between 31 December 2012 and 31 December 2013 was €18,759 thousand in SFL's favour.

The change reflected:

- The unwinding of the interest rate swaps, leading to the payment of cash settlements representing a net €12,881 thousand.
- 5,600 thousand in fair value adjustments recorded in equity and €278 thousand recognised in the statement of comprehensive income along with the gains and losses referred to below.

When a hedging relationship is discontinued, it no longer qualifies for hedge accounting and any subsequent changes in fair value of the hedging instrument are recognized directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.

In 2013, cumulative losses of €18,436 thousand were reclassified to the statement of comprehensive income.

The total impact of these items on the 2013 statement of comprehensive income was therefore a loss of €18,158 thousand.

Hedging portfolio

The hedging portfolio comprises interest rate hedges on the financing of the Parholding portfolio.

Counterparties: Natixis, Deka and Nord LB. Description: cash flow hedges. These swaps on a notional amount of €185,220 thousand came into effect on 25 September 2012 as a hedge of identified debt and expire on 25 September 2017. SFL pays a fixed rate of 0.8825%.

At 31 December 2013, the contract excluding credit risk had a negative fair value of €625 thousand.

Measuring hedging instruments

All SFL's hedging instruments are classified in Level 2 of the fair value hierarchy. Their fair values are estimated based on inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) on active and liquid markets. At 31 December 2013, hedging instruments had a total negative fair value of €625 thousand.

The credit risk associated with hedging transactions is calculated based on the probability of default for assets marketable as collateral in the secondary market. At 31 December 2013, credit risk represented a potential loss for SFL of €15 thousand.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2013 was €1,065,400 thousand, as follows:

(in € thousands)	Nominal value	Maturity	Fair value
May 2011 bonds	500,000	May 2016	536,500
November 2012 bonds	500,000	November 2017	528,900
			1,065,400

6-31) Provision expense, net - financial assets

There were no movements on provisions on financial assets in 2013.

6-32) Income tax expense

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases arranged prior to 1 January 2005.

Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deferred taxes	Statement of financial position 31 December 2011	Statement of financial position 31 December 2012	Reclassifications	Equity	Statement of comprehensive income 2013	Statement of financial position 31 December 2013
Gains and losses from remeasurement at fair value of investment properties	(57,311)	(105,971)	–	–	(12,246)	(118,217)
Hedging instruments	295	950	–	(535)	(195)	220
Adjustment of depreciation	(3,462)	(8,770)	–	–	(4,371)	(13,141)
Adjustment of property rentals	(2,055)	(2,539)	–	–	543	(1,996)
Capitalisation of interest expense and transaction costs	(231)	(464)	–	–	(37)	(501)
Recognition of deferred tax assets for tax loss carryforwards	170	–	–	–	–	–
Other	(120)	(253)	–	–	(6)	(259)
Net	(62,713)	(117,046)	–	(535)	(16,313)	(133,894)
Of which: deferred tax assets	478	13	–	–	(6)	6
Of which: deferred tax liabilities	69,192	117,060	–	535	16,307	133,902

Current income tax expense for the year amounted to €16,272 thousand, versus €4,030 thousand in 2012. The increase was mainly attributable to the recognition of the €11,806 thousand exit tax due as a result of exercising the purchase option on the Rives de Seine property.

The exit tax was offset by a deferred tax reversal for €10,370 thousand. The deferred tax amount of €12,246 thousand on gains and losses from remeasurement at fair value of investment properties is stated net of this reversal and after a deferred tax charge of €22,616 thousand.

6-33) Non-controlling interests in net profit

	31 December 2013	31 December 2012
SCI Washington	10,059	16,264
Property rentals	*6,462*	*6,525*
Gains and losses from remeasurement at fair value of investment properties	*4,241*	*10,870*
Net financial expense	*(468)*	*(776)*
Parholding Group	25,378	–
Property rentals	*13,043*	–
Gains and losses from remeasurement at fair value of investment properties	*30,150*	–
Net financial expense	*(3,047)*	–
Deferred taxes	*(12,490)*	–
Tax due	*(944)*	–
Total	35,437	16,264

Parholding Group has been fully consolidated since 31 December 2012.

6-34) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period, net of treasury shares held at the period-end.

	2013	2012	2011
Profit used to calculate basic earnings per share	147,259	283,189	180,891
Number of ordinary shares at 31 December	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(439,531)	(441,250)	(498,482)
Number of ordinary shares at 31 December excluding treasury shares	**46,089,443**	**46,087,724**	**46,030,492**
Earnings per share	€3.20	€6.14	€3.89
Weighted average number of ordinary shares	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(439,531)	(441,250)	(498,482)
Weighted average number of ordinary shares excluding treasury shares	**46,089,443**	**46,087,724**	46,030,492
Basic earnings per weighted average share	€3.20	€6.14	€3.89

There were no other transactions on ordinary shares or potential ordinary shares between the year-end and the date when these financial statements were drawn up.

6-35) Dividends

	2013		2012		2011	
	Total	Per share	Total	Per share	Total	Per share
Declared dividend for prior year	65,141	€1.40	65,141	€1.40	97,711	€2.10
Prior year interim dividend	–	–	–	–	32,239	€0.70
Prior year dividend paid in current year	64,520	€1.40	64,475	€1.40	64,478	€1.40
Total	64,520	€1.40	64,475	€1.40	96,717	€2.10

On 4 November 2011, the shareholders in general meeting approved the payment of a special dividend of €0.70, representing a total distribution of €32,216 thousand deducted from the share premium account.

On 15 November 2012, the shareholders in general meeting approved the payment of a special dividend of €0.70, representing a total distribution of €32,262 thousand deducted from the share premium account.

Following the decision of the Board of Directors at its meeting of 7 October 2013, SFL paid shareholders an interim dividend on 23 October 2013 totalling €32,254 thousand or €0.70 per share.

6-36) Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 31 December 2013 are detailed below.

Mortgages on properties owned by the Parholding sub-group securing the 25 September 2012 loan.

Type of mortgage		Standard mortgage			Total
Company		PARGAL	PARCHAMPS	PARHAUS	
Expiry date		25 September 2018	25 September 2018	25 September 2018	
Registered by Deutsche Hypothekenbank	Principal	31,278	10,072	27,250	68,600
	Costs and incidentals	2,189	705	1,908	4,802
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Registered by Natixis	Principal	31,278	10,072	27,250	68,600
	Costs and incidentals	2,189	705	1,908	4,802
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Registered by Deka	Principal	31,278	10,072	27,250	68,600
	Costs and incidentals	2,189	705	1,908	4,802
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Total		100,402	32,331	87,473	220,206

Guarantees and other commitments

	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given				
• Garantee given by SFL to Société Générale on behalf of SAS Locaparis pursuant to Article 3-2 of the Act of 2 January 1970	–	–	–	–
• Property guarantees	293	293	–	–
Commitments received				
• Guarantees received from tenants	20,452	1,286	4,802	14,364
• Guarantees received from suppliers	29,000	4,577	24,423	–
• Natixis syndicated line of credit	350,000	–	350,000	–
• BNP Paribas syndicated line of credit	350,000	–	350,000	–

Employee benefit obligations at 31 December 2013

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

An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

The aggregate compensation that would be payable to these individuals amounts to €2,467 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008 in the case of the employees and on 5 October 2010 in the case of the corporate officer who is not an employee.

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 31 December 2013, the Group's contractual commitments relating to investment properties undergoing renovation totalled €100,932 thousand and mainly concerned the #Cloud property (81-83 rue de Richelieu) for €86,586 thousand and the Ozone property (90, avenue des Champs-Elysées) for €8,062 thousand.

6-37) Note to the statement of cash flows

	2013	2012	2011
Acquisitions of subsidiaries, net of the cash acquired:			
Purchase price	–	–	–
Subsidiaries' cash acquired (Parholding)	–	8,931	–
Repayment of intragroup current account advances	–	–	–
Assets and liabilities acquired:			
Non-current assets	–	258,748	–
Current assets	–	13,029	–
Equity	–	94,062	–
Deferred taxes on investment properties	–	39,269	–
Financial liabilities	–	103,813	–
Current liabilities	–	34,633	–
Proceeds from disposals of investment properties, intangible assets and property and equipment:			
Sale price	290,371	–	50,005
Transaction costs	(262)	(4)	(209)
Capital gains tax	–	–	–
Cash and cash equivalents at end of period:			
Short-term investments	28,688	19,293	8,266
Cash at bank and in hand	344	5,624	3,231
Short-term bank loans and overdrafts	(30,576)	(26,327)	(29,551)

Additional information

The impact of recognising rent-free periods as well as additions to and reversals of provisions for trade receivables are included in "Cash flow".

Changes in deposits received from tenants are included in cash flows from operating activities.

6-38) Related party information

The remuneration paid to the members of the Board of Directors and Management Committee breaks down as follows:

	2013	2012	2011
Short-term benefits, excluding payroll taxes[(1)]	3,822	3,036	3,515
Payroll taxes on short-term benefits	1,610	1,213	1,300
Share-based payments[(2)]	471	265	45
Total	**5,903**	**4,249**	**4,860**

(1) Gross salary and other remuneration, bonuses, discretionary and non-discretionary profit-sharing, matching Company payments, directors' fees and termination benefits paid during the period.
(2) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Balance Sheet

ASSETS

(in euros)	31 December 2013			31 December 2012
	Total	Depreciation, amortisation and provisions	Net	Net
NON-CURRENT ASSETS				
Intangible assets				
Start-up costs	–	–	–	–
Software	4,644,454	3,825,225	819,229	266,997
Lease premiums and goodwill[(1)]	52,217,467	1,958,907	50,258,560	79,273,504
Other	–	–	–	–
Intangible assets in progress	1,019,027	–	1,019,027	912,135
Property and equipment				
Land	587,636,763	5,092,291	582,544,472	579,344,901
Buildings	760,802,518	127,043,365	633,759,154	592,452,519
Other	3,761,729	1,174,774	2,586,955	2,604,369
Assets under construction	164,232,947	–	164,232,947	261,038,380
Prepayments to suppliers of property and equipment	6,669,320	–	6,669,320	4,745,478
Non-current financial assets[(2)]				
Shares in subsidiaries and affiliates	629,843,944	2,286,948	627,556,996	627,557,508
Advances to subsidiaries and affiliates	22,844,416	–	22,844,416	26,552,675
Other long-term investments	–	–	–	–
Loans	5,347,815	–	5,347,815	7,525,658
Other	679,396	–	679,396	752,972
TOTAL I	**2,239,699,796**	**141,381,510**	**2,098,318,286**	**2,183,027,097**
CURRENT ASSETS				
Inventories and work in progress				
Receivables[(3)]				
Prepayments to suppliers	29,857	–	29,857	39,961
Rental receivables	8,218,627	3,076,495	5,142,132	3,395,755
Other	316,349,288	449,837	315,899,451	303,391,925
Current financial assets				
Treasury shares	23,877,556	7,421,082	16,456,474	15,533,523
Other marketable securities	1,393,488	–	1,393,488	1,073,999
Cash equivalents	–	–	–	–
Cash at bank and in hand	68,193,092	–	68,193,092	25,947,109
Prepaid expenses[(3)]	185,681	–	185,681	4,182,122
TOTAL II	**418,247,589**	**10,947,413**	**407,300,175**	**353,564,395**
Deferred charges (III)	8,597,730	–	8,597,730	9,238,293
Debt redemption premiums (IV)	2,757,167	–	2,757,167	3,613,167
TOTAL ASSETS (I + II + III + IV)	**2,669,302,281**	**152,328,923**	**2,516,973,358**	**2,549,442,951**
(1) Of which, lease premiums			*–*	*31,808,250*
(2) Of which, due within one year (gross)			*25,022,259*	*26,552,666*
(3) Of which, due beyond one year (gross)			*303,291,171*	*291,705,143*

BALANCE SHEET (CONT'D.)

(in euros)	31 December 2013	31 December 2012
EQUITY		
Share capital	93,057,948	93,057,948
Share premium account	924,182,054	1,030,629,064
Revaluation reserve	21,438,656	21,438,656
Reserves:		
Legal reserve	9,305,795	9,305,795
Statutory reserve	–	–
Untaxed reserves	–	–
Other reserves	–	–
Retained earnings	620,424	665,412
Interim dividend	(32,253,864)	–
Profit/(loss) for the period	44,843,906	(41,971,858)
Capital and reserves	1,061,194,918	1,113,125,016
Government grants		
Untaxed provisions	13,202,799	14,775,859
TOTAL I	**1,074,397,717**	**1,127,900,875**
Participating securities	–	–
TOTAL I a		
Provisions for contingencies and charges	1,544,402	1,673,895
TOTAL II	**1,544,402**	**1,673,895**
LIABILITIES[(1)(2)]		
Convertible bonds	–	–
Other bonds	1,015,631,849	1,015,631,849
Bank borrowings[(3)]	316,908,915	303,035,080
Other borrowings	47,731,100	42,420,693
Prepaid property rentals	4,123,659	4,660,239
Trade payables	5,774,786	5,412,906
Accrued taxes and payroll costs	18,619,091	8,212,050
Due to suppliers of property and equipment	26,490,562	33,874,307
Other liabilities	2,150,673	2,274,683
Cash equivalents	–	–
Deferred income	3,600,603	4,346,372
TOTAL III	**1,441,031,239**	**1,419,868,180**
TOTAL EQUITY AND LIABILITIES (I + Ia + II + III)	**2,516,973,358**	**2,549,442,951**
(1) Of which, due beyond one year	*1,108,051,726*	*1,237,531,888*
(2) Of which, due within one year	*332,979,513*	*182,336,293*
(3) Of which, short-term bank loans and overdrafts	*98,746,188*	*52,164,926*

Profit and Loss Account

(in euros)	2013	2012
OPERATING INCOME		
Property rentals	77,664,921	92,880,138
Service revenue	1,930,760	1,766,423
Total revenue	**79,595,681**	**94,646,561**
Own-work capitalised	247,162	145,368
Reversals of depreciation, amortisation and provisions	3,775,395	119,962
Other income	2,314,835	2,687,122
Expense transfers	19,341,429	19,328,117
TOTAL I	**105,274,502**	**116,927,130**
OPERATING EXPENSES		
Other purchases and external charges	50,476,929	48,427,660
Taxes other than on income		
Payroll-based taxes	786,077	523,583
Other	9,339,809	9,667,568
Payroll costs		
Wages and salaries	7,728,387	7,111,629
Payroll taxes and other employee benefits expenses	3,213,249	3,201,255
Depreciation, amortisation and provision expense		
Depreciation and amortisation expense	29,972,448	30,066,052
Impairment losses on non-current assets	2,003,494	1,126,121
Impairment losses on current assets	268,036	103,258
Provision expense	15,296	55,093
Other expenses	355,815	372,892
TOTAL II	**104,159,539**	**100,655,111**
OPERATING PROFIT (I-II)	**1,114,963**	**16,272,019**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	32,246,255	32,318,081
From other non-current financial assets	150,135	251,279
Other interest income	2,687,048	14,656,483
Reversals of provisions and impairment losses, and expense transfers	11,905,851	13,032,118
Net gains from sales of current financial assets	9,509	8,130
TOTAL III	**46,998,798**	**60,266,092**
FINANCIAL EXPENSES		
Amortisation and impairment losses on financial assets and other financial provision expense	856,000	435,250
Interest expense	64,362,435	116,049,855
TOTAL IV	**65,218,435**	**116,485,105**
NET FINANCIAL EXPENSE (III - IV)	**(18,219,637)**	**(56,219,013)**
LOSS BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	**(17,104,675)**	**(39,946,994)**
OTHER INCOME		
From revenue transactions	315,230	113,444
From capital transactions	290,371,100	40,000
Reversals of provisions and impairment losses, and expense transfers	4,545,115	3,035,769
TOTAL V	**295,231,445**	**3,189,213**
OTHER EXPENSES		
From revenue transactions	69,882	205,524
From capital transactions	216,880,013	4,028
Amortisation, impairment losses and other provision expense	2,156,574	2,691,274
TOTAL VI	**219,106,469**	**2,900,826**
OTHER INCOME, NET (V - VI)	**76,124,976**	**288,387**
Employee profit-sharing (IX)	65,441	88,478
Income tax benefit (X)	14,110,955	2,224,773
Total income (I + III + V)	**447,504,744**	**180,382,435**
Total expenses (II + IV + VI + IX + X)	**402,660,839**	**222,354,293**
NET PROFIT (LOSS)	**44,843,906**	**(41,971,858)**

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

I – Accounting policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and separation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

a) Intangible assets

Intangible assets recognised in the balance sheet mainly comprise:

- Software purchased or developed for the Company's ERP system.
- Goodwill, corresponding to the technical deficits arising from mergers.
  These deficits, which are allocated to the buildings, are tested for impairment and are regularly monitored by reference to changes in the buildings' appraisal values in accordance with Article 322-5 of standard CRC 99-03 (as amended by standard 2002-10).

b) Property and equipment

1 - Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are therefore capitalized.

Capitalized renovation costs also include borrowing costs for the period until the property is put back on the rental market, calculated at the average rate of interest after hedging on the last day of the month.

The cost of properties does not include transaction expenses (CRC 2004-06).

2 - Depreciation

Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.
Properties were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at the IFRS transition date.

The useful lives of the component parts of investment properties are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof and fencing	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:

- The useful lives of the component parts of the property. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its respective useful life.
- The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at six-monthly intervals and an impairment loss is recognized if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2013 was performed by independent experts CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

c) Non-current financial assets

Non-current financial assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date.
The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

Furthermore, a provision for contingencies is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned.
The total amount of the provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognized in liabilities under provisions for contingencies.

d) Stock option and performance share plans

In accordance with CNC standard no. 2008-17 dated 4 December 2008 concerning the accounting treatment of stock option and performance share plans, SFL has bought back shares for allocation to stock option plans based on the probability of options being exercised under those plans.

When shares bought back for allocation to plans under which exercise of options is probable, a provision is recorded for the difference between the buyback price and the option exercise price. Impairment of treasury shares not allocated to a stock option or performance share plan is calculated based on their fair value at the balance sheet date.

The increase in the share price to above the exercise price for a certain number of options led to the reversal of the provision for impairment of these shares and the recognition of a provision for contingencies determined based on the exercise price of the options.

In accordance with Emerging Issues Task Force Opinion no.2002-D dated 18 December 2002 concerning the accounting treatment of a company's own shares originally classified as "marketable securities" and subsequently allocated to performance share plans, the shares' carrying amount on the reclassification date is treated as their new cost and any impairment losses recorded prior to that date are therefore not reversed when the shares are reclassified. No further impairment losses are recorded on the shares as from the reclassification date.

For each performance share plan, the number of performance shares that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate.

The probable outflow of resources is then recognised on a straight-line basis over the vesting period.

Details of the plans are presented in Note A-3.1).

e) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis.
Files are transferred to the collection department when rentals are 30 days past due.

Except in specific cases, the following provision rates are applied according to the type of lease:
- Residential leases: 100%.
- Office and retail leases: 50% when the tenant is still occupying the premises, 100% when they have vacated the premises.

f) Current financial assets

Current financial assets are stated at the lower of cost and fair value. Fair value corresponds to the market price for the last month of the period.

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants, including various property taxes, and deferred borrowing costs.

h) Financial income and expense

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.
Net gains and losses on swaps contracted for hedging purposes are recognized in the profit and loss account on an accruals basis. No provision is booked for unrealized losses, as gains and losses on hedged items are offset by losses and gains on the hedging instrument.

i) Other financial income and expenses

Other financial income and expenses correspond to income and expense from non-recurring transactions, such as property acquisition or disposal costs.

II - Significant events of the year

A – Significant events

Redevelopment projects

- The In/Out project in Boulogne that began in January 2012 was completed on schedule during the second half of 2013. The property has now been delivered and is in the process of being marketed.

- Remodelling began on the #Cloud building at 81-83 rue de Richelieu in the second half of 2012, and a general contractor was selected in January 2013. The major demolition and reconstruction work has proceeded on schedule with delivery planned for the second half of 2015.

Asset purchases and sales

- On 8 February 2013, SFL sold the building at 251 rue Saint-Honoré in the first arrondissement of Paris, which is occupied by the Mandarin Oriental Paris hotel and two luxury boutiques, to the Mandarin Oriental Hotel Group. The property was sold for a net price of €290 million, in accordance with the terms agreed in November 2012.

- On 29 October 2013, the purchase option under the finance lease on Rives de Seine was exercised at a price of €47.8 million, leading to the payment of €11.8 million in exit tax.
  As from the date of exercise, the property has been eligible for SIIC tax exemption.

Interim dividend

On 23 October 2013, the Company paid an interim dividend of €0.70, representing a total payout of €32,253,864 distributed in full from SIIC profits that were exempt from corporate income tax.

Financing

On 4 July 2013, the Company obtained a €400 million 5-year syndicated revolving credit facility bearing interest at the 3-month Euribor plus 200 bps. This new line of credit, which replaces an existing €300-million facility obtained in October 2009, improves the Company's liquidity position, reduces its spread, and extends the maturity of debt.

In late October 2013, a €40.8 million mortgage loan from RBS fell due and was repaid in full.

B - Tax audits

In first-half 2013, the Paris Administrative Court of Appeal dismissed two applications submitted in 2010 by SFL, contesting the tax authorities' decision to challenge (i) the method used by the Group to calculate provisions for major repairs and (ii) the breakdown of the value of certain properties in the accounts between the value of the land and that of the building.
A €968 thousand tax charge was therefore recorded in the 2013 accounts. This had no impact on profit for the year as an equivalent amount was released from the provisions set aside for these reassessments in the financial statements at 31 December 2012.

SFL is currently undergoing a tax audit covering the years 2010 to 2012.
The tax authorities have notified the Company of a proposed €2,918 thousand reassessment of the 2010 tax base that would reduce tax losses recorded in that year. SFL is contesting the reassessment, which concerns the allocation of shared expenses between "SIIC" and "non-SIIC" tax bases. No provision has been set aside for the reassessment as a result.

C - Subsequent events

None.

III - Notes to the financial statements

A - Notes to the balance sheet

A-1) Non-current assets

A-1.1) Intangible assets

Intangible assets at cost (in euros)	31 December 2012	Additions	Disposals	Transfers between accounts	31 December 2013
Software	3,814,053	–	–	830,401	4,644,454
Lease premiums	31,808,250	–	–	(31,808,250)	–
Goodwill	52,237,467	–	20,000	–	52,217,467
Prepayments to suppliers of intangible assets	912,135	1,029,145	1,646	(920,606)	1,019,027
Total	88,771,905	1,029,145	21,646	(31,898,455)	57,880,948

Software includes both software licences and internally-developed software.

Lease premiums were transferred to “Property and equipment” following the exercise of the purchase option under the Rives de Seine finance lease.

Goodwill corresponds to the technical deficits arising from mergers:
- with SA Dandy Nuances (owner of the Ozone building) on 20 November 2006 .
- with SAS Iéna (owner of the Iéna building) on 30 June 2008.

Amortisation (in euros)	31 December 2012	Amortisation for the year	Amortisation written off on disposals and other	31 December 2013
Software	3,547,056	278,169	–	3,825,225
Total	3,547,056	278,169	–	3,825,225

Impairment (in euros)	31 December 2012	Increases	Decreases	31 December 2013
Goodwill	4,772,213	–	2,813,306	1,958,907
Total	4,772,213	–	2,813,306	1,958,907

The impairment recorded on the technical deficit (”goodwill”) arising on the merger with SAS Iéna was reduced during the year to take into account the increase in the Iéna property’s appraisal value as determined by independent valuers at 31 December 2013.

A-1.2) Property and equipment

Property and equipment at cost (in euros)	31 December 2012	Additions	Disposals	Transfers between accounts	31 December 2013
Land	582,643,159	24,437,737	96,137,363	76,693,229	587,636,763
Buildings	370,164,513	13,494,567	61,560,742	74,525,018	396,623,356
Fixtures and fittings	337,971,188	9,877,673	72,236,457	88,566,758	364,179,162
Furniture and equipment	3,630,191	–	156,863	288,402	3,761,730
Assets under construction	261,038,380	112,120,316	282,194	(208,643,555)	164,232,947
Prepayments to suppliers of property and equipment	4,745,478	8,000,000	6,076,158	–	6,669,320
Total	1,560,192,910	167,930,293	236,449,776	31,429,851	1,523,103,278

Additions to property and equipment generally correspond to costs accumulated in the “Assets under construction” account that are reclassified on delivery of the property to the appropriate depreciable asset accounts.

Movements for 2013 included delivery of the In/Out building (€183,083 thousand) and acquisition of the Rives de Seine building following exercise of the finance lease purchase option (€81,199 thousand).

Depreciation (in euros)	31 December 2012	Depreciation for the year	Depreciation written off on disposals and other	Reclassifications	31 December 2013
Buildings	21,363,886	4,260,123	1,314,081	–	24,309,928
Fixtures and fittings	91,140,213	20,900,039	12,485,899	–	99,554,353
Furniture and equipment	1,025,822	305,815	156,863	–	1,174,774
Total	113,529,921	25,465,978	13,956,844	–	125,039,055

Impairment (in euros)	31 December 2012	Increases	Decreases	31 December 2013
Land	3,298,258	2,003,494	209,461	5,092,291
Buildings	3,179,084	–	–	3,179,084
Fixtures and fittings	–	–	–	–
Total	6,477,342	2,003,494	209,461	8,271,375

Following the valuations carried out at 31 December 2013, the impairment losses recorded on buildings were adjusted to take into account changes in the properties' appraisal values. Impairment losses concerned the following properties:

	31 December 2012	Increases	Decreases	31 December 2013
Le Vaisseau	6,239,556	2,003,494	–	8,243,050
Stockholm parking garage	686	–	686	–
Saint Augustin parking garage	201,955	–	201,955	–
Saint-Denis	35,145	–	6,820	28,325
Total	6,477,342	2,003,494	209,461	8,271,375

A-1.3) Non-current financial assets

Non-current financial assets at cost (in euros)	31 December 2012	Additions	Disposals	31 December 2013
Shares in subsidiaries and affiliates	629,844,457	–	513	629,843,944
Advances to subsidiaries and affiliates	26,552,675	22,844,408	26,552,666	22,844,416
Loans	7,525,658	–	2,177,843	5,347,815
Deposits	752,972	5,841	79,418	679,396
Total	664,675,762	22,850,248	28,810,440	658,715,571

Shares in subsidiaries and affiliates are presented below (list of subsidiaries and affiliates).

Impairment (in euros)	31 December 2012	Increases	Decreases	31 December 2013
Shares in subsidiaries and affiliates	2,286,948	–	–	2,286,948
Total	2,286,948	–	–	2,286,948

Impairment of non-current financial assets corresponds mainly to the full write-down of the Company's investment in Vendôme-Rome.

List of subsidiaries and affiliates:

Company	Share capital	Reserves	% interest	Carrying amount of investment – Gross	Carrying amount of investment – Net	Outstanding loans and advances	Outstanding guarantees	Last published revenue	Last published profit/(loss)	Dividends received during the year	Fair value adjustments to the investment during the year
A - Investments with a gross value in excess at 1% of SFL's capital											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	112,646,680	100,00%	291,846,722	291,846,722	–	–	14,933,078	9,905,882	–	–
SCI 103 GRENELLE	150	10,826,014	100,00%	1,169,740	1,169,740	169,792,136	–	7,968,001	7,927,816	–	–
SCI WASHINGTON	94,872,000	11,288,897	66,00%	79,788,878	79,788,878	112,568,067	–	18,723,008	7,592,009	–	–
2 - Affiliates (10-50%-owned)											
SAS PARHOLDING	15,000,000	4,661,692	50,00%	18,400,300	18,400,300	14,000,000	–	–	2,069,936	–	–
SA SIIC DE PARIS	68,955,181	590,934,777	29,63%	235,981,062	235,981,062	–	–	101,416,314	24,607,796	9,066,372	–
B - Aggregate information about investments not listed in A above											
1 - Subsidiaries (at least 50%-owned)				370,293	370,293	–	–	–	678,669	335,493	–
2 - Affiliates (less than 50%-owned)				2,286,735	–	–	–	–	–	–	–

A-2) Receivables

Receivables at 31 December 2013 by maturity (in euros)	Total	*Accrued income*	Due within 1 year	Due in 2 to 5 years	Due beyond 5 years
Non-current assets					
Advances to subsidiaries and affiliates	22,844,416		22,844,416		
Loans	5,347,815		2,177,843	3,169,972	
Deposits	679,396				679,396
Current assets					
Trade receivables	8,218,627	*3,915,456*	3,605,814	4,612,813	
Employee advances	27,605		27,605		
Prepaid and recoverable taxes	15,696,617		15,696,617		
Current account advances	299,158,611	*480,252*	480,252	298,678,359	
Miscellaneous receivables	1,466,455		1,466,455		
Prepaid expenses	185,681		185,681		
Total	**353,625,223**	***4,395,708***	**46,484,684**	**306,461,143**	**679,396**

Impairment (in euros)	31 December 2012	Increases	Decreases	31 December 2013
Rental receivables	3,561,086	268,036	752,628	3,076,495
Other receivables	449,837	–	–	449,837
Total	**4,010,923**	**268,036**	**752,628**	**3,526,332**

Impairment of receivables mainly concerns a rental receivable that is the subject of a dispute with a former tenant.

A-3) Current financial assets

A-3.1) Treasury shares

The total carrying amount of treasury shares held at 31 December 2013 came to €23,878 thousand versus a fair value of €16,742 thousand, reflecting the increase in the SFL share price to €38.09 at end-2013, from €35.50 at end-December 2012.

(in euros)	31 December 2012	Additions [1]	Disposals [1]	31 December 2013
Change in the number of shares held in treasury during the period	441,250	135,459	137,178	439,531
Average purchase/sale price, in euros	€55.63	€38.50	€42.88	€54.33
Total	24,544,642	5,215,419	5,882,504	23,877,556

(1) Including 24,882 shares allocated to the performance share plan.

Provisions for impairment, as determined based on the purpose for which the treasury shares were being held, amounted to €7,421 thousand at 31 December 2013 as follows:

Treasury shares (in euros)	Number of shares	Cost	Provisions	Net	Market value [1]	Gross gain or loss
SFL shares held for allocation upon exercise of stock options granted in 2007	208,297	12,982,638	5,048,605	7,934,033	7,934,033	(5,048,605)
SFL shares held for allocation under the 2012 performance share plan	33,054	1,166,806	N/A,[1]	1,166,806	1,259,027	92,221
SFL shares held for allocation under the 2013 performance share plan	24,882	937,554	N/A,[1]	937,554	947,755	10,201
SFL shares held for future stock-for-stock acquisitions	144,684	7,883,490	2,372,476	5,511,014	5,511,014	(2,372,476)
SFL shares held under the liquidity contract	28,614	907,068	–	907,068	1,089,907	182,839
Total	439,531	23,877,556	7,421,082	16,456,474	16,741,736	(7,135,820)

(1) No impairment losses are recorded on shares allocated to performance share plans.

Impairment (in euros)	31 December 2012	Increases	Decreases	Reclassifications	31 December 2013
Treasury shares	9,011,119	–	968,463	(621,575)	7,421,082
Total	9,011,119	–	968,463	(621,575)	7,421,082

Changes in impairment over the year include a €968 thousand provision reversal through profit and the reclassification of €622 thousand following the allocation of shares to a performance share plan at their net book value on the transfer date.

Stock option plans at 31 December 2013	
Date of shareholder authorisation	21 April 2005
Grant date	13 March 2007
Number of shares under option	282,418
Issuer	SFL
Starting date of exercise period	14 March 2011
Option expiry date	13 March 2015
Exercise price	€60.11
Number of options at 1 January 2013	234,335
Options granted during the period	–
Options exercised during the period	–
Options cancelled during the period	26,038
Number of options outstanding at 31 December 2013	208,297

Details of performance share plans at 31 December 2013

	Plan 1		Plan 2
Date of shareholder authorisation	9 May 2011		9 May 2011
Grant date	16 February 2012	5 March 2013	16 February 2012
End of vesting period	31 December 2014	31 December 2015	31 December 2013
Expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	32,988	33,725	13,678
Number of performance share rights expected to vest	22,372	23,877	9,688
Value per share	€35.30	€37.68	€35.30
Rights cancelled/forfeited	(940)	(841)	
Number of shares expected to vest at 31 December 2013	21,432	23,036	9,688

A-3.2) Other current financial assets

Other current financial assets (in euros)	Number	Unit purchase price	Cost	Market value	Gross gain or loss
Aviva investors monétaire C	618.39	2,253	1,393,488	1,394,068	580
Total	618.39	2,253	1,393,488	1,394,068	580

No provisions for impairment have been recorded against these financial assets.

A-4) Deferred charges

Debt issuance costs (in euros)	Amortisation period	Total	*Accumulated amortisation at 1 January 2013*	*Amortisation for the year*	*Accumulated amortisation at 31 December 2013*	Net
BNP Paribas loan fees	5 years	3,650,000	*2,360,706*	*1,289,294*	*3,650,000*	–
Natixis 2010 syndicated loan fees	5 years	3,283,837	*1,341,590*	*656,407*	*1,997,997*	1,285,840
2011 bond issue costs	5 years	2,876,717	*910,960*	*575,344*	*1,486,304*	1,390,413
Natixis loan renegotiation fees	4 years	876,231	*250,352*	*214,587*	*464,939*	411,292
BNP Paribas loan renegotiation fees	3 years	751,231	*300,492*	*450,739*	*751,231*	–
RBS loan renegotiation fees	20 months	205,627	*102,814*	*102,813*	*205,627*	–
2012 bond issue costs	5 years	2,893,365	*48,501*	*578,672*	*627,173*	2,266,192
2013 BNP Paribas syndicated loan fees	5 years	3,604,437	–	*360,444*	*360,444*	3,243,993
Total		18,141,445	*5,315,415*	*4,228,300*	*9,543,715*	8,597,730

Fees are amortised over the life of the loan.

A-5) Debt redemption premiums

(in euros)	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2011 bond issue	5 years	1,985,000	397,000	1,025,583	959,417
2012 bond issue	5 years	2,295,000	459,000	497,250	1,797,750
Total		4,280,000	856,000	1,522,833	2,757,167

The premium is recognised over the life of the bonds.

A-6) Equity

A-6.1) Changes in equity (in euros)

A. Equity at 31 December 2012 before appropriation of profit	**1,127,900,875**
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	–
C. Dividends paid during the year	
2012 dividend decided by the Annual General Meeting of 18 April 2013	(64,520,139)
2013 interim dividend decided by the Board of Directors on 7 October 2013	(32,253,864)
D. Movements for the period	
Share issues	–
Decrease in untaxed provisions	(1,573,061)
Profit for the period	44,843,906
E. Equity at 31 December 2013	**1,074,397,717**
F. Change in equity during the year	**53,503,139**

At 31 December 2013, the Company's share capital comprised 46,528,974 ordinary shares with a par value of €2. The number of voting rights at that date was 46,089,443.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.14% of the capital at 31 December 2013.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties. The decrease for the year corresponds to excess tax depreciation reclassified to profit on the sale of the related building.

Untaxed provisions (in euros)	31 December 2012	Increases	Decreases	31 December 2013
Excess tax depreciation	14,775,859	2,004,054	3,577,115	13,202,798
Total	14,775,859	2,004,054	3,577,115	13,202,798

A-6.2) Provisions for contingencies and charges

Provisions for contingencies and charges (in euros)	31 December 2012	Increases	Decreases	31 December 2013
Provisions for refurbishment work and tenant claims	165,704	15,296	–	181,000
Provisions for employee benefits	540,191	823,211	–	1,363,402
Provisions for tax risks	968,000	–	968,000	–
Total	1,673,895	838,507	968,000	1,544,402

Provisions for employee benefits include deferred performance share plan costs, for €1,061 thousand.

For information about tax risks, see Note II-B.

A-7) Liabilities

Liabilities at 31 December 2013 by maturity (in euros)	Total	*Accrued expenses*	Due within 1 year	Due in 2 to 5 years	Due beyond 5 years
Convertible bonds	1,015,631,849	*15,631,849*	15,631,849	1,000,000,000	–
Bank borrowings	316,908,915	*205,257*	266,908,915	50,000,000	–
Other borrowings					
. Tenant deposits	8,108,092	–	1,989,687	1,309,145	4,809,259
. Current account advances	39,623,009	*293,827*	293,827	39,329,182	–
Prepaid property rentals	4,123,659	–	4,123,659	–	–
Trade payables	5,774,786	*5,525,934*	5,774,786	–	–
Accrued payroll costs	4,446,678	*3,678,125*	4,446,678	–	–
Accrued taxes	14,172,413	–	4,379,381	9,793,032	–
Due to suppliers of property	26,490,562	*21,357,268*	26,490,562	–	–
Other liabilities	2,150,673	*1,009,794*	2,150,673	–	–
Deferred income	3,600,603	–	789,495	2,811,108	–
Total	1,441,031,239	*47,702,054*	332,979,513	1,103,242,467	4,809,259

Prepaid property rentals correspond to rental income received in advance and tenant payments covering property expenses falling due in the first quarter of 2014.
Accrued payroll costs include discretionary profit-sharing and bonus accruals.
Accrued taxes include annual exit tax instalments totalling €13,683 thousand in 2013.

Long and short-term debt (in euros)	31 December 2013	31 December 2012	*Year-on-year change 2013-2012*
2011 bond issue	514,001,712	514,001,712	–
2012 bond issue	501,630,137	501,630,137	–
Natixis 2010 syndicated loan	–	45,064,665	*(45,064,665)*
BECM revolving credit facility	150,013,115	150,002,750	*10,365*
Royal Bank of Scotland loan	–	40,800,842	*(40,800,842)*
CADIF loan	18,001,032	15,001,896	*2,999,136*
BNP Paribas loan	50,148,581	–	*50,148,581*
Bank overdrafts	98,746,188	52,164,926	*46,581,262*
Total	1,332,540,765	1,318,666,929	*13,873,837*

B - Notes to the profit and loss account

B-1) Net revenue

(in euros)	2013	2012
Property rentals and lease termination penalties	73,486,612	85,598,291
Property management fees	1,179,982	1,167,238
Key money	766,668	255,556
Other fees	1,134,505	1,013,916
Les Citadines and Servcorp Edouard VII revenue	1,097,155	4,845,137
Sub-total	77,664,921	92,880,138
Administration and accounting fees	139,000	146,500
Payments received for seconded employees	1,791,760	1,619,923
Sub-total	1,930,760	1,766,423
Total	79,595,681	94,646,561

The decline in the "Property rentals and lease termination penalties" line item was mainly due to the sale, in February 2013, of the 251 Saint-Honoré (Mandarin Oriental) building.

The Edouard VII hotel business no longer contributes any revenue to the Company following the transfer of the business to SAS Maud at the end of 2012.

B-2) Payroll costs

(in euros)	2013			2012
	Administrative staff	Building staff	Total	Total
Wages and salaries				
Wages and salaries	7,652,206	76,181	7,728,387	7,111,629
Sub-total	**7,652,206**	**76,181**	**7,728,387**	**7,111,629**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	2,799,457	35,876	2,835,332	2,781,178
Other employee benefits expenses	376,446	1,470	377,916	420,077
Sub-total	**3,175,903**	**37,346**	**3,213,249**	**3,201,255**
Total	**10,828,109**	**113,527**	**10,941,635**	**10,312,884**

The remuneration paid to Company directors and officers (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €3,480 thousand in 2013.

Directors' fees for the year represented a total of €342 thousand.

B-3) Number of employees at 31 December

	31 December 2013	31 December 2012
Building caretakers	2	2
Administrative employees	7	6
Supervisors	8	12
Managers	47	48
Officers	2	2
Total	**66**	**70**

B-4) Fees paid to the Auditors

(in euros)	2013	2012	2013	2012
	PricewaterhouseCoopers Audit		Deloitte & Associés	
Statutory and contractual audits	224,875	224,875	224,875	224,875
Other services	3,100	20,000	22,600	39,500
Total	**227,975**	**244,875**	**247,475**	**264,375**

B-5) Net financial expense

(in euros)	2013	2012
Dividends from SAS Parholding	–	748,269
Dividends from SA Segpim	335,493	1,952,457
Dividends from SA SIIC de Paris	9,066,372	3,064,689
Revenue from SCI Paul Cézanne	9,905,847	10,075,792
Revenue from SCI Washington	5,010,726	6,030,718
Revenue from SCI 103 Grenelle	7,927,816	10,446,156
Sub-total	**32,246,255**	**32,318,081**
Interest income from the SCI Champvernier loan	150,135	251,279
Sub-total	**150,135**	**251,279**
Interest received on derivative instruments	–	1,813,169
Premiums/cash settlements received on derivative instruments	–	8,100,358
Interest income from current account advances to subsidiaries	2,663,247	4,727,525
Other financial income	23,802	15,431
Sub-total	**2,687,048**	**14,656,483**
Capitalized interest expense[(a)]	10,937,389	12,013,878
Reversals of provisions for financial risks	–	198,907
Reversals of impairment of current financial assets	968,463	819,333
Sub-total	**11,905,852**	**13,032,118**
Net gains from sales of current financial assets	9,509	8,130
Sub-total	**9,509**	**8,130**
Financial income	**46,998,799**	**60,266,092**
Provisions for bond redemption premiums	856,000	435,250
Sub-total	**856,000**	**435,250**
Interest expense on bank loans	41,787,691	36,826,558
Interest expense on current account advances from subsidiaries	600,946	911,517
Interest expense on bank overdrafts	81,039	287,618
Bank loan arranging fees	7,134,068	3,934,732
Interest paid on derivative instruments	1,877,749	19,209,553
Other financial expenses[(b)]	12,880,942	54,879,876
Sub-total	**64,362,435**	**116,049,855**
Finance costs and other financial expenses	**65,218,435**	**116,485,105**
Net financial expense	**(18,219,637)**	**(56,219,013)**

(a) Capitalized interest expense corresponds to borrowing costs incurred during the redevelopment of the In/Out and #Cloud properties, calculated at an average rate of 3.59% (i.e. the average rate of interest after hedging in 2013).
(b) Other financial expenses correspond to cash settlements paid on the unwinding of hedging instruments.

B-6) Other income and expense

(in euros)	2013	2012
Total capital gains on property disposals	73,491,499	–
Capital losses on sales of securities	(413)	–
Funds contributed by Les Citadines	–	40,000
Tax rebates and reassessments, net	33,570	57,872
Transaction costs on property purchases and sales	–	(4,028)
Prior period adjustments, net	202,435	37,159
Net gains/(losses) on sales of treasury shares	9,344	(187,111)
Movements on untaxed provisions	1,573,061	325,495
Movements on provisions for employee-related and tax risks	815,480	19,000
Total	**76,124,976**	**288,387**

Analysis of net capital gains on disposals (in euros)

Investment properties sold during the year (in euros)	Disposal date	Sale price excl. transfer costs and tax	Carrying amount	Capital gain on disposal	Transaction costs	Net capital gain or loss
251 Saint-Honoré (Mandarin Oriental)	18 February 2013	290,000,000	216,372,360	73,627,640	1,905,159	71,722,481
Rome Vienne (10 parking spaces)	20 June 2013	296,000	233,149	62,851	21,595	41,256
Saint Augustin (10 parking spaces)	1 January 2013	75,000	273,992	(198,992)	6,710	(205,702)
Total		290,371,000	216,879,501	73,491,499	1,933,464	71,558,035

B-7) Income tax expense

(in euros)	2013	2012
Exit tax due following exercise of the purchase option under the Rives de Seine finance lease	11,806,449	–
Income tax expense	1,453,026	1,256,927
3% surtax on distributed income	851,480	967,846
Total	14,110,955	2,224,773

C - Related party transactions

(in euros)	31 December 2013	31 December 2012
Balance Sheet		
Non-current financial assets	627,556,996	627,557,508
Advances to subsidiaries and affiliates	22,844,416	26,552,675
Other loans	366,921	–
Trade receivables	531,600	571,027
Other receivables	299,158,611	288,744,101
Other borrowings	149,079	–
Trade payables	2,651,097	2,963,372
Other liabilities	39,659,502	34,874,541
Profit and loss account	2013	2012
Revenue	3,130,760	1,766,423
Other income	745,650	671,628
Expense transfers	356,101	74,491
Other purchases and external charges	1,816,734	919,895
Taxes other than on income	–	127,347
Property management fees	1,987,904	2,003,645
Dividend income from subsidiaries and affiliates	32,246,255	32,318,081
Interest income on advances to subsidiaries and affiliates	2,356,174	4,242,073
Interest expense on liabilities related to advances to subsidiaries and affiliates	293,873	426,065

D - Finance leases

Finance lease commitments (in euros)	Lease payments		Future minimum lease payments due			Residual value
	For the year	Cumulative	Within 1 year	In 1 to 5 years	Beyond 5 years	
131 Wagram	4,967,762	32,785,457	4,967,762	7,230,854	–	26,000,000
Total	**4,967,762**	**32,785,457**	**4,967,762**	**7,230,854**	**–**	**26,000,000**

The values shown concern the portion of lease payments corresponding to the repayment of the principal.

Properties under finance leases (in euros)	Cost at inception of the lease	Depreciation for the year	Accumulated depreciation	Carrying amount
Land	38,112,254	–	–	38,112,254
Buildings	38,112,254	1,249,850	19,980,014	18,132,240
Total	**76,224,508**	**1,249,850**	**19,980,014**	**56,244,494**

Under the rules governing property leases applicable since 1 January 1996, the portion of the principal corresponding to the land can be depreciated at the end of the lease period or included in the residual value. SFL has chosen to apply the latter option.

E - Off-balance sheet commitments

Guarantees and other commitments

(in euros)	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given	None			
Commitments received				
Guarantees received from tenants	10,435,073	985,257	3,865,190	5,584,626
Guarantees received from suppliers	28,657,088	4,577,097	24,079,991	–
Natixis 2010 syndicated line of credit	350,000,000	–	350,000,000	–
BNP Paribas syndicated line of credit	350,000,000	–	350,000,000	–

Hedging portfolio

The Company did not have any interest rate hedges at 31 December 2013.

Contractual redevelopment and renovation obligations

At 31 December 2013, contractual commitments relating to investment properties undergoing redevelopment or renovation totalled €90,077 thousand – of which 96.12% concerned the #Cloud project –, compared with €50,568 thousand at 31 December 2012.

Employee benefits

SFL has elected not to use the recommended method for recognising pension and other post-employment benefit obligations.
The amount of these obligations, for which no provision has been set aside, amounted to €365 thousand at 31 December 2013.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at age 65 at the employer's initiative. The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.17% and a 2% rate of future salary increases.

- Length-of-service awards payable to employees on retirement: the lump sum benefit payable under this plan is specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As SFL does not have any such defined benefit obligations, no sensitivity analyses are presented.

F – Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Colonial, a company governed by Spanish law and listed on the Madrid stock exchange (ISIN: ES0139140018).

Statutory Auditors' report

Statutory Auditors' report on the consolidated financial statements Year ended 31 December 2013

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying consolidated financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verifications required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the year give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies, in accordance with IFRSs as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Notes 2-3, 2-20 and 6-3 to the consolidated financial statements, all of the Company's property assets have been valued by qualified independent valuers to estimate their fair value. Our work consisted of verifying the valuation methods used by the independent valuers, ensuring that fair value measurements of property assets were based on independent valuations, and that the notes to the consolidated financial statements contain the appropriate disclosures.
- Notes 2-18, 2-20 and 6-30 to the consolidated financial statements describe the accounting policies applied to determine the fair value of derivative instruments, as well as the characteristics of the hedging instruments used by the Group. We verified that IAS 39 classification and documentation criteria had been applied and obtained assurance that the accounting policies used and the disclosures provided in the notes were appropriate.

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we also verified the information about the group presented in the Management Report.

We have no matters to report regarding the fair presentation of this information and its conformity with the consolidated financial statements.

Neuilly-sur-Seine, 21 March 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Statutory Auditors' report on the Company financial statements
Year ended 31 December 2013

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2013, on:

- the audit of the accompanying financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's results for the period as well as of its financial position, assets and liabilities at the period-end, in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Note I-b) on accounting policies for property and equipment, all of the Company's property assets have been measured by qualified independent valuers in order to test for impairment. Our work consisted in verifying the valuation methods used by the independent valuers, ensuring that impairment losses on property assets were determined on the basis of independent valuations, and that the notes to the financial statements contain the appropriate disclosures.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verifications and information

In accordance with the professional standards applicable in France, we also verified the information given in the financial statements.

We have no matters to report concerning the fair presentation of this information and its conformity with the Board of Directors' management report and with the documents addressed to shareholders regarding the Company's financial position and financial statements.

We have examined the information provided in accordance with Article L.225-102-1 of the French Commercial Code concerning compensation and benefits granted to corporate officers and any other commitments made in their favour, and verified its conformity with the information used to prepare the Company financial statements and, where necessary, with data collected by your Company from its controlling shareholders or subsidiaries. On this basis, we have no matters to report concerning the fair presentation of this information.

In accordance with the law, we obtained assurance that the necessary disclosures were made in the management report concerning acquisitions of controlling and other interests and the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine, 21 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Société Foncière Lyonnaise
Year ended 31 December 2013

To the shareholders,

In our capacity as Statutory Auditors of Société Foncière Lyonnaise and in accordance with Article L.225-235 of the French Commercial Code (*Code de Commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of accounting and financial information

French professional standards require that we perform procedures to assess the fairness of the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted of:

- Obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information underpinning the information given in the Chairman's report, and of the existing documentation.
- Obtaining an understanding of the work performed to support the information given in the report and of the existing documentation.
- Determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have identified during the course of our work are appropriately disclosed in the Chairman's report.

Based on our procedures, we have no matters to report concerning the information given on internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.255-37 of the French Commercial Code.

Neuilly-sur-Seine, 21 March 2014
The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Auditors' special report on related party agreements and commitments (Annual General Meeting held to approve the 2013 financial statements)

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions of the related party agreements and commitments that have been disclosed to us or that we identified during our audit, without commenting on their relevance or substance. Our responsibility does not include identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de Commerce*), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We are also required to disclose the information provided for in Article R.225-31 of the French Commercial Code concerning the execution during 2013 of any related party agreements and commitments approved by shareholders in prior years.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). These procedures consisted of verifying that the information given to us agreed with the underlying documents.

Agreements and commitments subject to approval by shareholders

We were not advised of any agreements or commitments authorised during the past year that would have to be submitted to the Annual General Meeting for approval in accordance with Article L.225-38 of the French Commercial Code.

Agreements and commitments approved in prior years

I) Agreements and commitments that remained in force in 2013

In accordance with Article R.225-30 of the French Commercial Code, we were informed of the following agreements and commitments authorised in prior years that remained in force in 2013.

a) Agreement with Prédica

- Authorised at the Board meeting of 20 July 2009 and approved by shareholders at the General Meeting of 19 April 2010.
- Partnership agreement.
- Following Prédica's acquisition of Ile de France Investissements SA's 50% interest in Parholding SAS, SFL entered into a new partnership agreement with Prédica organising their relations as joint shareholders of Parholding.
- Given that Jean-Jacques Duchamp is a director, and that the Crédit Agricole Group, of which Prédica is a member, holds over 10% of the voting rights in the Company, the partnership agreement (including the term sheet, the shareholders' pact and related documents) with Prédica is governed by Articles L.225-38 *et seq.* of the French Commercial Code.

b) Amendments to the agreement with Prédica

- Authorised at the Board meeting of 15 November 2012 and approved by shareholders at the General Meeting of 18 April 2013.
- Amendments dated December 26, 2012.
- These amendments to the partnership agreement signed with Parholding in 2009 give SFL and its representatives the power to control the company's strategic financial and operating decisions by virtue of a contractual arrangement. The main changes to the agreement are as follows:
  1. The Chairman of Parholding, the company's legal representative, is appointed by decision of the partners on SFL's recommendation, with Prédica pledging to vote the same way as SFL.

2. The budget is determined and approved by the Chairman, except for exceptional items that continue to require the approval of the Partners Committee (whose members may challenge the proposed items).
3. Decisions that require the Partners Committee's approval are defined as representing a commitment in excess of a specified amount (the purpose of this stipulation being to limit the Partners Committee's intervention to exceptional transactions).
4. Legal managers of the subsidiaries are no longer appointed by decision of the Partners Committee, but by decision of the Chairman.
5. Substantially all of the main contracts with SFL have been renewed.

- Given that Jean-Jacques Duchamp is a director, and that the Crédit Agricole Group, of which Prédica is a member, holds over 10% of the voting rights in the Company, the new shareholders' pact with Prédica is governed by Articles L.225-38 *et seq.* of the French Commercial Code.

II) Agreements and commitments that were not applied in 2013

We were also informed that the following related party agreements and commitments approved in prior years by shareholders were not applied in 2013

a) Agreement with Nicolas Reynaud

- Authorised at the Board meeting of 9 December 2008 and approved by shareholders at the General Meeting of 15 June 2009.
- Nicolas Reynaud is both an officer and an employee of the Group, as Managing Director since 24 October 2008 and Chief Financial Officer.
- Under the terms of his employment contract, Nicolas Reynaud will receive a termination benefit in the event of a change in ownership structure.

In the event of a significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder, if Nicolas Reynaud is dismissed (except for gross negligence) or is forced to resign as a result of significant changes in his responsibilities in the 18 months following the date of such a change, he will receive, in addition to the severance pay due by law or under the collective bargaining agreement, a termination benefit of an amount equal to twice the total gross annual remuneration – including any and all bonuses and benefits in kind – for the calendar year preceding the dismissal or resignation, subject to a commitment by Nicolas Reynaud not to encourage the departure of other SFL employees.

b) Agreement with Bertrand Julien-Laferrière

- Authorised at the Board meeting of 5 October 2010 and approved by shareholders at the General Meeting of 9 May 2011.
- Corporate officer concerned: Bertrand Julien-Lafferière, Chief Executive Officer since 5 October 2010.

The agreement provides for the payment of compensation for loss of office to Bertrand Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment.

Said compensation would represent the equivalent of six months' remuneration. If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board. As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal. No other components of his remuneration package would be taken into account in the calculation.

Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.

Effective from 2011, half of Mr. Julien-Laferrière's bonus is based on qualitative performance criteria and half on quantitative criteria, determined each year by the Board of Directors based on the recommendation of the Remuneration Committee.

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

Performance targets used to determine compensation for loss of office: if average performance was at least equal to 60% of the target, the compensation for loss of office would be payable in full. If average performance was below 60% of the target, no compensation for loss of office would be payable.

The Board of Directors would be required to inform Mr. Julien-Laferrière of whether the performance criteria had been met within two months of his separation. The compensation would be payable within sixty days of the Board meeting at which the fulfilment of the performance criteria was noted.

Neuilly-sur-Seine, 21 March 2014

The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Additional information

1. Persons responsible for the Registration Document and the audit of the accounts

1.1 Statement by the person responsible for the Registration Document

Name and position

Nicolas Reynaud, Managing Director.

Statement

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the report of the Board of Directors on page 3 *et seq.* presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

1.2 Persons responsible for the audit of the accounts

AUDITORS

	First appointed	Term renewed	Term expires*
Statutory Auditors			
Deloitte & Associés Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 185, avenue Charles de Gaulle - 92200 Neuilly-sur-Seine - France Represented by Christophe Postel-Vinay	21 April 2005	9 May 2011	2016
PricewaterhouseCoopers Audit SA Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers - 92200 Neuilly-sur-Seine - France Represented by Benoît Audibert	25 April 2003	18 April 2013	2018
Substitute Auditors			
BEAS Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 7/9, villa Houssay - 92200 Neuilly-sur-Seine – France	21 April 2005	9 May 2011	2016
Anik Chaumartin Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers - 92200 Neuilly-sur-Seine – France	9 May 2007	18 April 2013	2018

* At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

FEES PAID TO THE AUDITORS

(in euros)	PricewaterhouseCoopers Audit SA						Deloitte & Associés					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Statutory and contractual audits												
Issuer	224,875	224,875	224,875	71%	66 %	66%	224,875	224,875	224,875	91%	85%	94%
Fully consolidated subsidiaries	89,980	94,625	89,725	28%	28%	27%	-	-	-	-	-	-
Audit-related services												
Issuer	3,100	20,000	24,500	1%	6%	7%	22,600	39,500	15,000	9%	15%	6%
Fully consolidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	317,955	339,500	339,100	100%	100%	100%	247,475	264,375	239,875	100%	100%	100%
Other services												
Legal and tax advice	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-		-
Sub-total	-	-	-	-	-	-	-	-	-	-	-	-
Total	317,955	339,500	339,100	100%	100%	100%	247,475	264,375	239,875	100%	100%	100%

2. Additional legal information

Corporate name and registered office

- Corporate name: Société Foncière Lyonnaise.
- Registered office: 40 rue Washington, 75008 Paris, France.
- Phone: 00 33 (0)1 42 97 27 00.

Legal form

"Société anonyme" (public limited company) governed by the French Commercial Code.

Governing Law

French law.

Date of incorporation and term

- Incorporated on 9 October 1879.
- Term: 8 October 2064.

Corporate purpose (Article 3 of the Articles of Association)

The Company's purpose is to:

- Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
- Sell or exchange such properties, for cash or for shares.
- Manage properties on behalf of third parties.
- Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
- Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 - NAF Code: 6820B.

Financial year

1 January to 31 December.

Market for the Company's shares

SFL shares are quoted on NYSE Euronext Paris, compartment A
ISIN: 0000033409
Reuters: FLYP.PA
Bloomberg: FLY.FP

3. Additional information about the company's capital and share ownership

3.1 Excerpts from the Articles of Association concerning the Company's capital and share ownership

Changes in capital
(Articles 6, 7 and 8 of the Articles of Association)
The Company's capital may be increased on one or more occasions by any method provided for by law.

The share capital is increased by the issue of ordinary shares or preference shares, or by raising the par value of existing shares. It may also be increased through the exercise of rights attached to securities with rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.
Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

Amendments of shareholders' rights
(Article 9 of the Articles of Association)
Where called but unpaid amounts on partially paid-up shares are not settled in accordance with the terms and conditions determined by the Board of Directors, said outstanding amounts shall accrue interest on a daily basis, calculated at the legal interest rate, without any requirement for an application to court.

In addition, in order to obtain any such called but unpaid amounts, the Company shall be entitled to sell the shares concerned and to take all appropriate action as provided for by law.

In such a case the Company shall serve the defaulting shareholder with a formal notice to pay, by way of a registered letter with return receipt requested. If the amount due is not settled within thirty days of service of the said notice the unpaid shares shall be stripped of attendance and voting rights for shareholders' meetings as well as dividend rights and pre-emptive subscription rights for subsequent share issues. However, following the payment of all outstanding amounts due to the Company (corresponding to the principal amount plus interest and costs), the shareholder concerned may request the payment of any dividends that are not time-barred and will recover their rights to attend and vote at shareholders' meetings.

Identification of shareholders
(Article 10 of the Articles of Association)
Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.
The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

Disclosure thresholds
Obligations relating to the applicable disclosure thresholds are described on page 54 of the Management Report.
Rights attached to shares (Articles 11, 12, 13 and 14 of the Articles of Association)
Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners ("nu-propriétaires") and the beneficial owners ("usufruitiers") of any jointly held shares.

If several persons own one share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledger.

In the event of a capital increase, any pre-emptive subscription or allocation rights attached to shares that have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.

The Company's bearer shares may be traded on the stock market in accordance with the applicable law. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.

The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

Appropriation of profits (Article 33 of the Articles of Association)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provisions, shown in the profit and loss account.

At least 5% of net profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve, until such time as the legal reserve represents one tenth of the share capital.

Profit available for distribution consists of profit for the year, less any losses carried forward from prior years and any amounts transferred to the legal reserve as provided for above, plus retained profits carried forward from prior years.

Total profit available for distribution is appropriated as follows:

- to provident reserves or any other reserves, by decision of the Annual General Meeting;
- to dividends payable to shareholders.

Any unappropriated balance is carried forward to the next year.

3.2 Share capital

Share capital at 31 December 2013

As of 31 December 2013, the Company's issued share capital amounted to €93,057,948 divided into 46,528,974 ordinary shares with a par value of €2, all fully paid-up.

Authorised, unissued capital

The Annual General Meeting of 18 April 2013 granted the Board of Directors a 26-month delegation of competence to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €100 million.

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

- In the case of any share issue with or without pre-emptive subscription rights that is oversubscribed, to increase the number of shares offered.

- To issue ordinary shares and securities with rights to shares, without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed €100 million.

- To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed 10% of the Company's share capital.

– To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.

– To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.

– To issue ordinary shares for cash to employees and retired employees who are members of a Sharesave Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

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

– To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

– To make share grants to employees – or certain categories of employees – and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

Shareholders will be asked to renew this authorisation at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2013.

The Annual General Meeting of 18 April 2013 authorised the Board of Directors to cancel, on one or several occasions, all or some of the shares acquired by the Company under various shareholder-approved buyback programmes, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date.

Shareholders will be asked to renew this authorisation at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2013.

The shareholder authorisations concerning treasury shares are described on page 47 *et seq.* of the Management Report.

Authorised, issued capital

None.

Pledges of the Company's shares

The SFL shares held by Colonial have been lodged as collateral for borrowings under Colonial's syndicated line of credit. Further details are contained in the Financial Statements Report published on: http://www.inmocolonial.com/en/informaciones-para-accionistas-inversores/

3.3 Ownership structure

SFL's ownership structure is described on page 41 of the Management Report.

As far as the Company is aware, no arrangements exist whose implementation may result in a change in control in the future.

3.4 Shareholder's pacts

See page 38 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

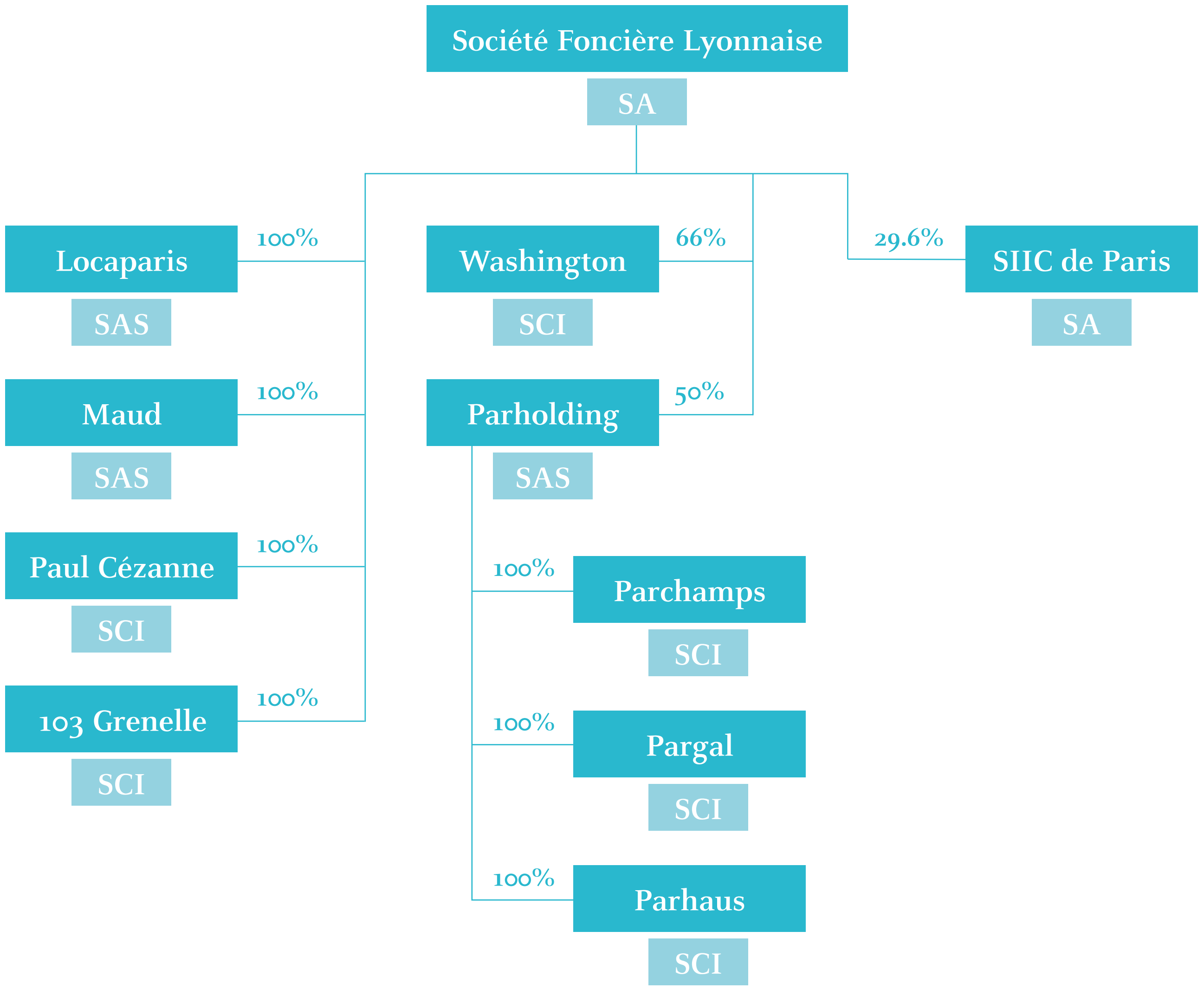
3.5 Corporate governance

In application of Article 21 of the Articles of Association, the functions of Chairman of the Board and Chief Executive Officer were separated on 14 April 2010.

The Chairman's report on corporate governance and internal control can be found on page 98 of the Management Report.

4. Additional information about the group's operations and organisational structure

4.1 Organisation chart



4.2 Material contracts

No company within the SFL Group is party to an agreement that would entail a material obligation or commitment for the Group, other than contracts entered into in the ordinary scope of business.

4.3 Dependence on patents or licences

Dependence

The SFL Group is not dependent on any patents or licences for the conduct of its business.

4.4 Third party information, statement by experts and declarations of interests

Portfolio Valuation Report

SFL's entire property portfolio was valued at 31 December 2013, part by CBRE Valuation, part by Jones Lang Lasalle Expertises and part by BNP Paribas Real Estate Valuation.

The valuations were performed in accordance with the "Charte de l'expertise en évaluation immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF in 2004). They also complied with the standards issued by the European Group of Valuers' Associations (TEGoVA) and with Royal Institution of Chartered Surveyors (RICS) standards.

Method

The properties were valued primarily by the discounted cash flow method, which consists of discounting projected net future cash flows and the resale value of the property at the end of the projection period.

Each property is analysed in detail, based on the surface of each designated area, lease by lease.

The valuers noted that, based on fourth quarter 2013 rent-rolls, rents on certain units were above or below observed market rents for the quarter on similar properties. These differences were taken into account over the duration of the underlying leases in order to value the properties according to their current occupancy.

Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs and service charges for the period until the units are re-let.

The cost of scheduled renovation work – based on information supplied by the Group – was taken into account over the cash flow projection period.

The results of the valuation were checked by applying the capitalised net rental revenue method, and based on direct comparisons with the observed price per square meter of recent buy-to-let transactions involving occupied and vacant properties.

The appraisal values were determined including transfer costs (calculated at a standard 6.2% for all properties subject to registration duty), and also excluding transfer costs.

At the request of the Group, the valuation method used in December 2013 was the discounted cash flow method.

Each of the three firms provided an individual appraisal value and is not responsible for the valuations performed by the other two firms.

On the basis described above, the value of the portfolio at 31 December 2013 is €3, 408, 916, 047 excluding transfer costs and €3, 576, 802, 324 including transfer costs for the Group's share and €3, 874, 347, 373 excluding transfer costs and €4, 071, 090, 393 including transfer costs on a 100% basis (see attached table for values per building).

Jones Lang LaSalle Expertises
S.A.S. au capital de 37 000 Euros
Tél : 01 40 55 15 15 - 75008 PARIS

D. François

BNP PARIBAS REAL ESTATE
VALUATION FRANCE
Denis FRANÇOIS Adresse : 167, quai de la Bataille de Stalingrad
Expert en Évaluation Immobilière – FNAIM 92867 ISSY-LES-MOULINEAUX Cedex
327 657 186 RCS NANTERRE

5. Documents on display

All legal documents related to the Company's activities may be consulted at SFL's registered office at 40 rue Washington, 75008 Paris, France, as well as on the Company's website at www.fonciere-lyonnaise.com.

List of information published or publicly disclosed in 2013

The following table sets out all the information published or publicly disclosed by the issuer over the last twelve months pursuant to the applicable laws and regulations.

Title	Filing/ publication date	Filed with/ published by	Address for consultation
Information on the total number of voting rights as of 31 December 2012	4/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Misys leases 6,500 sq.m in the new Washington Plaza	9/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
An excellent marketing year for SFL in 2012	16/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Ariba signs lease for 1,600 sq.m in Louvre des Entreprises	22/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Half-yearly report on the liquidity contract	23/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Alexia Karsenti Abtan named Marketing Director at SFL	24/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 January 2013	7/2/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL sells the Mandarin Oriental Paris	8/2/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL's 2012 Results	14/2/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL issues performance shares (in French only) (Published in accordance with the AFEP/MEDEF corporate governance code for listed companies) (Published in accordance with Articles 212-5° and 212-5 6° of the AMF's general rules)	7/3/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 28 February 2013	8/3/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Notice of Meeting (in French only)	13/3/2013	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Ordinary and Extraordinary General Meeting of 18 April 2013 (in French only)	28/3/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Notice of AGM (in French only)	29/3/2013	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Publication of the 2012 registration document (in French only) The Company announces the publication of its 2012 registration document	10/4/2013	Autorité des Marchés Financiers Société Foncière Lyonnaise	http://www.amf-france.org http://www.fonciere-lyonnaise.com
Publication in accordance with Article 5 of the AFEP/MEDEF corporate governance code for listed companies	12/4/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Sustainable Development Report	12/4/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL – First Quarter 2013	17/4/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL launches "ServicesbySFL", the first package of user-centric services	19/4/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL welcomes the Parisian headquarters of Hugo Boss to the "Le Louvre des Entreprises"	22/4/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 March 2013	29/4/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 30 April 2013	21/5/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Approval of the financial statements for the year ended 31 December 2012 (in French only)	24/5/2013	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Information on the total number of voting rights as of 31 May 2013	5/6/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Press release	6/6/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/

Title	Filing/ publication date	Filed with/ published by	Address for consultation
SFL: new green lease for the Rives de Seine	20/6/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Half-yearly report on the liquidity contract	3/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL – €400-million syndicated credit facility	4/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL 4th equal in 2013 Novethic Barometer	10/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL signs for the 1st Indigo Hotel in Paris	12/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL – First-Half 2013 Results	23/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
2013 interim financial report	26/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 30 June 2013	26/7/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 July 2013	26/08/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 August 2013	4/9/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL releases its 2013 Interim financial report	5/9/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL will welcome the headquarters of Klépierre to the Carré Édouard VII	20/9/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL, the first property company certified 100% BREEAM	24/9/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 30 September 2013	1/10/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL – Interim dividend of €0.70 per share	7/10/2013	Autorité des Marchés Financiers	http://www.amf-france.org
SFL – Third Quarter 2013	24/10/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 October 2013	6/11/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 30 November 2013	6/12/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Press release	2/1/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
6 rue de Hanovre fully leased	6/1/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 December 2013	13/1/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Eric Oudard appointed Technical and Development Director of SFL	16/1/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
Information on the total number of voting rights as of 31 January 2014	4/2/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL will welcome a major international consulting company to its building at 90 Champs-Élysées	10/2/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/
SFL – 2013 Annual Results	12/2/2014	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com/

Cross-reference table

Information	Annual Report	Registration Document
1. Persons responsible		
1.1 Name and position of persons responsible		208
1.2 Statement by persons responsible		208
2. Statutory Auditors		209
3. Selected financial information	39 to 53	
4. Risk factors		
4.1 Liquidity risk		22
4.2 Counterparty risk		22
4.3 Currency risk		23
4.4 Interest rate risk		23
4.5 Risks associated with the economic environment and the property market		23
4.6 Risks associated with a competitive property investment market		24
4.7 Risks associated with tenants		24
4.8 Risks associated with the availability and cost of financing		24
4.9 Risks associated with the loss of key personnel		25
4.10 Risks associated with subcontractors and other service providers		25
4.11 Risks associated with the regulatory environment		25
4.12 Risks associated with government-related procedures		26
4.13 Risks associated with neighbourhood complaints		26
4.14 Risks associated with the majority shareholder		26
4.15 Risks associated with the SIIC tax regime		26
5. Information about the issuer		
5.1 History and development of the issuer	1 to 3	
5.2 Investments		5
6. Business overview		
6.1 Principal activities	7 to 43	5
6.2 Principal markets	40, 41	5
6.3 Exceptional factors	n. app.	n. app.
6.4 Dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes		214
6.5 The basis for statements made by the issuer regarding its competitive position		24
7. Organizational structure		
7.1 Brief description of the Group		214
7.2 List of significant subsidiaries		9

Information	Annual Report	Registration Document
8. Property, plant and equipment		
8.1 Existing or planned material tangible fixed assets and any major encumbrances thereon	54; 59	144; 150; 159; 168; 169; 174; 178; 181; 184; 185;
8.2 Environmental issues that may affect the utilisation of tangible fixed assets		42 to 93
9. Operating and financial review		
9.1 Financial condition		6 to 9; 143
9.2 Operating results		7; 180
10. Capital resources		
10.1 Information concerning capital resources	47; 51	9; 144 to 146; 153; 163; 171; 179; 186; 187
10.2 Cash flows		146; 148; 156; 174
10.3 Borrowing requirements and funding structure	51	23; 148; 164 and 165; 170 to 172; 183; 186; 188; 190
10.4 Restrictions on the use of capital resources		22; 23; 148; 164 and 165; 170 to 172; 183; 186; 188; 190
10.5 Information regarding anticipated sources of funds needed to fulfil capital expenditure commitments	n. app.	n. app.
11. Research, development, patents and licenses	n. app.	n. app.
12. Trend information		
12.1 The most significant recent trends in production, sales and inventory, and costs and selling prices		22
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects		22
13. Profit estimates or forecasts	n. app.	n. app.
14. Administrative, management, and supervisory bodies and senior management		
14.1 Board member and senior management information	4; 5	10 to 13; 100 to 111
14.2 Conflicts of interest		104; 114
15. Remuneration and benefits		
15.1 Remuneration and benefits in kind		13 to 22; 47; 116
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits		19
16. Board practices		
16.1 Date of expiration of current terms of office		100; 101
16.2 Service contracts with members of the administrative, management or supervisory bodies		19 to 22
16.3 Committee information	4; 5	114 to 116
16.4 Statement of compliance with France's corporate and governance regime		14; 100

Information	Annual Report	Registration Document
17. Employees		
17.1 Number of employees		46
17.2 Shareholdings and stock options		17; 18; 33
17.3 Arrangements for involving employees in the company’s capital		36; 47
18. Major shareholders		
18.1 Shareholders owning over 5% of the capital or voting rights	53	31; 32
18.2 Different voting rights		31; 32
18.3 Control of the issuer		26; 31; 38; 39
18.4 Arrangements which may result in a change in control of the issuer		38; 39
19. Related party transactions		114
20. Financial information concerning the issuer’s assets and liabilities, financial position and profits and losses		
20.1 Historical financial information		96; 221
20.2 Pro forma financial information	n. app.	n. app.
20.3 Financial statements		143 to 195
20.4 Auditing of historical annual financial information		199; 200
20.5 Age of latest financial information		221
20.6 Interim and other financial information	n. app.	n. app.
20.7 Dividend policy		41
20.8 Legal and arbitration proceedings		30
20.9 Significant change in the issuer’s financial or trading position		22
21. Additional Information		
21.1 Share capital		212
21.2 Memorandum and articles of association		211; 212
22. Material contracts		214
23. Third party information, statement by experts and declarations of any interests		215
24. Documents on display		216; 217
25. Information on holdings		9

Table of the main items of the annual financial report

The table below indicates the pages in the Registration Document where key information required by the French securities regulator (AMF) can be found, in accordance with Article 212-13 VI of the AMF's general rules.

Information	Registration document
1. Financial statements of the Company	177 to 195
2. Consolidated financial statements	143 to 175
3. Management report	3 to 141
4. Statement by the person responsible for the registration document	208
5. Auditors' reports on the financial statements of the Company and the consolidated financial statements	199 to 200
6. Fees paid to the statutory auditors	209
7. Chairman's report (drawn up in accordance with Article L.225-37 of the French Commercial Code)	98 to 127
8. Auditors' report on the report of the Chairman of the Board of Directors	201

Historical financial information

Financial statements and Statutory Auditors' reports for 2013: see table above.

Pursuant to the AMF general regulations, the following information is incorporated by reference:

- The consolidated financial statements for the year ended 31 December 2011, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 85 to 122 and 147 of the 2011 Registration Document filed with the AMF on 6 April 2012 under No. D.12-0300.
- The consolidated financial statements for the year ended 31 December 2012, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 139 to 173 and 197 of the 2012 Registration Document filed with the AMF on 10 April 2013 under No. D.13-0328.

Design and execution

TERRE DE SIENNE *Paris* | www.terredesienne.com

Photo credits

Grégory Copitet – Thierry Lewenberg-Sturm – Getty Images

SOCIETE FONCIERE LYONNAISE
we care for your talents

A French public limited company with capital of €93,057,948

Siège social : 40, rue Washington – 75008 Paris

Phone: +33 (0)1 42 97 27 00 – Fax: + 33 (0)1 42 97 27 26

www.fonciere-lyonnaise.com

Registered with the Paris Companies Registry
under number 552 040 982

SOCIETE FONCIERE LYONNAISE
we care for your talents