

2014 FINANCIAL AND LEGAL REPORT



SOCIETE FONCIERE LYONNAISE



The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on 8 April 2015, in accordance with Article 212-13 of the AMF's General Regulations. 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.



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Annual General Meeting of 22 April 2015

Management Report for the Year Ended 31 December 2014

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 2014 as well as its future outlook, and to submit for shareholder approval the financial statements of the Company and the Group and the other 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. Property Portfolio Value

The property portfolio's appraisal value represented an estimated €4,466 million excluding transfer costs (€4,703 million including transfer costs) at 31 December 2014, up 15.3% on the year-earlier figure including the newly acquired Condorcet building and 9.5% on a comparable portfolio basis. All of the properties are located in Paris and the Paris region, with 79% (representing €3,521 million excluding transfer costs) situated in the Paris Central Business District.

Substantially all of the portfolio consists of prime office properties (80% of the total), retail units and a hotel (19%). 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 €11,327 in 2014 and the spot yield⁽¹⁾ was 4.8%.

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

Marketing programme

In a still challenging and selective rental market which nevertheless saw a 13% increase in leasing volume, we signed leases on over 31,000 sq.m. in 2014, including:

- 7,500 sq.m. of offices in the Louvre Saint-Honoré complex let to Fast Retailing
- 7,000 sq.m. of offices in the Édouard VII complex, of which 4,300 sq.m. re-let to Ashurst on expiry of the previous lease.
- 5,700 sq.m. of offices in the 90 Champs-Élysées building pre-let to a major international consulting firm.
- 3,800 sq.m. in the Cézanne Saint-Honoré complex, of which 1,900 sq.m. let to Apax Partners Midmarket and 1,900 sq.m. to an international financial institution.

The new leases were signed at an average nominal rent of €649 per square metre, corresponding to an effective rent of €558.

The physical occupancy rate excluding properties undergoing renovation rose to 87.1% at 31 December 2014 from 82.0% at the previous year-end. The In/Out complex in Boulogne, which was still being marketed at the year-end, accounted for 10.6% of the vacant surface areas.

Development operations

Properties undergoing development in 2014 represented some 50,000 square metres. Projects in progress included:

- Remodelling and refurbishment of the #cloud.paris property on rue de Richelieu in Paris, which will offer 33,000 sq.m. of offices and is scheduled for delivery in the fourth quarter of this year.
- Redesign and refurbishment of the reception areas in the Washington Plaza complex. This project was launched in 2013 and was delivered at the end of 2014.
- Large scale renovation of the 57-room Indigo Hotel in the Édouard VII complex, which re-opened in October 2014.
- Renovation of the 90 Champs-Élysées building, which is scheduled for delivery in April of this year.

In all, development expenditure for the year totalled €118 million.

1.2. Property purchases and sales during the year

On 23 July, we sold our 29.63% interest in SII C de Paris to Eurosic for €304.9 million. The capital gain recognised on the transaction in the consolidated financial statements amounted to €8.5 million.

On 4 December, we acquired a 25,000-sq.m. office building located on rue Condorcet in the 9th *arrondissement* of Paris for €230 million. The property is let to GrDF, the historical tenant, under a lease that expires in 2024.

Following these transactions, we continue to have 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 year

In 2014, profit attributable to owners of the parent rose to €197.7 million, from €147.3 million the previous year, reflecting positive fair value adjustments to investment properties.

Property rentals amounted to €151.5 million for the year versus €149.3 million in 2013.

On a comparable portfolio basis, property rentals grew by €5.8 million or 4.3%, reflecting leases signed during 2013 and 2014.

Changes in surface areas undergoing development between 2013 and 2014 had a negative top line impact of €4.5 million.

Changes in the scope of consolidation had a net negative impact of €0.5 million, with the €1.2 million in lost revenues from the Mandarin Oriental building sold in February 2013 partly offset by the €0.7 million in rentals earned on the Condorcet building acquired on 4 December 2014.

Lastly, the 2014 figure included a €1.5 million lease termination penalty received from a tenant during the year.

Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €121.5 million in 2014, versus €119.8 million in 2013.

The portfolio's appraisal value rose by 9.5% over the year on a comparable basis. The increase led to the recognition of positive fair value adjustments to investment properties of €227.5 million in 2014, versus a positive €145.3 million in 2013.

The amount reported under "Share of profits/(losses) of associates" corresponds to 29.6%-owned SIIC de Paris which was sold in July 2014. This company made a negative contribution of €2.2 million to consolidated profit for the period up to the date of sale, versus a positive contribution of €21.0 million in 2013. Its contribution to EPRA earnings was a positive €4.3 million, compared with €11.5 million the previous year. The stake in SIIC de Paris was sold for €304.9 million, generating a capital gain of €8.5 million in the consolidated financial statements.

Finance costs and other financial income and expenses represented a net expense of €87.0 million in 2014 compared with €70.6 million the year before. Fair value adjustment on derivative instruments recognised directly in profit and reclassified from equity represented a net expense of €32.0 million in 2014 versus a net expense of €18.2 million the previous year. The 2014 figure includes penalties arising from the retirement of €300 million worth of bonds. Recurring finance costs increased by €1.5 million over the year.

After taking into account these key items, attributable net profit came in at €197.7 million in 2014, compared with €147.3 million in 2013. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, EPRA earnings amounted to €52.5 million in 2014, versus €58.7 million the year before.

Financing

On 26 November 2014, €500 million was raised through a seven-year 1.875% bond issue. At the same time, €300 million worth of bonds due May 2016 and November 2017 were bought back and retired. Two €150 million five-year revolving lines of credit were also set up during the year to replace existing facilities that had expired or were about to expire.

Net debt at 31 December 2014 amounted to €1,572 million, versus €1,457 million at 31 December 2013, representing a loan-to-value ratio of 33.4%. At that date, SFL also had €600 million in back-up lines of credit. The average cost of debt after hedging was 2.9% at 31 December 2014 compared with 3.3% at the previous year-end and the average maturity was 4.0 years versus 3.4 years.

Net asset value

The portfolio's appraisal value at 31 December 2014, on a consolidated basis and excluding transfer costs, was €4,466 million. The 15.3% increase compared with the €3,874 million appraisal value at the previous year-end was primarily due to the acquisition of the Condorcet property. On a comparable portfolio basis, the appraisal value was up by 9.5%, reflecting slightly narrower market yields for prime assets.

The portfolio comprises 19 prime properties consisting mainly of offices, located in Paris's Central Business District (93%) and in the most attractive parts of the Western Crescent (7%).

The average rental yield stood at 4.8% in 2014, compared with 5.1% the previous year⁽¹⁾.

EPRA NNNAV came to €2,297 million, or €49.4 per share, compared with €46.7 per share at 31 December 2013, an increase of 5.7%.

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

2.2. Parent company results

Parent company results and financial position

Parent company results for the year ended 31 December 2014 can be analysed as follows:

The Company reported property rentals of €70.9 million in 2014 compared with €79.6 million the year before. The year-on-year decrease of €8.7 million or 11% was due to:

- the sale of the Mandarin Oriental building in February 2013 (negative impact of €1.2 million);
- the effect of rent-free periods granted on new leases and the ending of rent-free periods on other leases.

Total operating income amounted to €93.9 million versus €105.3 million in 2013, a decline of €11.4 million or 11% that was in line with the fall in property rentals.

With operating expenses down by 6.1% over the year, the Company ended the year with an operating loss of €3.9 million compared with an operating profit of €1.1 million in 2013.

Net financial expense came to €32.9 million in 2014 versus €18.2 million the year before. The €14.7 million deterioration was mainly due to the €22.4 million in penalties paid on bond retirements, representing considerably more than the €12.9 million in cash payments made on unwound hedging positions in 2013.

After taking into account the above items, the Company ended the year with a loss before tax and other income and expense of €36.8 million, versus a €17.1 million loss in 2013.

Other income and expenses represented net income of €68.4 million in 2014 compared with €76.1 million the year before. The 2014 figure corresponded to the gain on the sale of the SIIC de Paris shares, while that for 2013 reflected the gain on disposal of the Mandarin Oriental building.

After deducting income tax expense, which fell sharply compared with the 2013 figure which included €11.8 million in exit tax payable upon exercise of the purchase option under the Rives de Seine finance lease, net profit for the year amounted to €31.5 million versus €44.8 million in 2013.

At 31 December 2014, the Company had total assets of €2,479 million, down 1.5% from €2,517 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 2014	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Net
Goods and services suppliers	278,236	49,106	746,157	–	1,073,499
Fixed asset suppliers	206,368	6,091,229	391,192	–	6,688,789
Retention monies	–	–	–	323,702	323,702
TOTAL	484,604	6,140,335	1,137,349	323,702	8,085,990

At 31 December 2013	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Net
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

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

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

Net profit for the year ended 31 December 2014	€31,476,110.47
Retained earnings brought forward from the prior year	€915,525.10
Profit available for distribution	€32,391,635.57

We recommend:

1. Paying a dividend per share of €1.40, representing a total payout of €65,140,563.60 based on the 46,528,974 shares outstanding at 31 December 2014.
2. On this basis:
 - The €32,391,635.57 in profit available for distribution would be distributed to shareholders in full, and
 - €32,748,928.03 would be distributed to shareholders out of the share premium account, reducing this account from €839,667,295.43 to €806,918,367.40.

If approved, the dividend will be paid as from 29 April 2015. 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 €1.40 per share, €0.68 will qualify as securities income governed by Article 158-3, paragraph 1, of the French Tax Code and €0.72 will be classified as a return of capital governed by Article 112-1 of the Code.

As the portion of the dividend qualified 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 (Article 158-3-3° b *bis* of the General Tax Code).

In principle, where the dividend is paid to an individual shareholder who is resident in France for tax purposes, according to Article 117 *quater* of the French Tax Code, the portion that is classified as securities income will be subject to withholding tax at the rate of 21%.

For dividends paid to shareholders who are not resident in France, the portion 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), 15% (dividends paid to French UCITS – OPCVM, OPCI, SICAF property funds – or comparable foreign pooled investment vehicles), 75% (dividends paid outside France in “uncooperative” countries or jurisdictions as defined in Article 238A of the Tax Code) or 30% (dividends paid to residents of other countries) (Articles 119 *bis* and 187 of the Tax Code).

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.

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 2014 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 2014 were prepared in accordance with International financial Reporting Standards as adopted by the European Union. The scope of consolidation of the SFL Group (referred to in this document as “the Group”) is 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	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SNC Condorcet Holding*	808 013 890	100	100
SNC Condorcet Propco*	537 505 414	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

* Companies consolidated for the first time in 2014.

SIIC de Paris was sold and removed from the scope of consolidation on 23 July 2014.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.14% of the capital at 31 December 2014.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2014 (IN €)

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances	Outstanding guarantees	Last published net revenue	Last published profit/(loss)	Dividends received during the year	Fair value adjustments to the investment during the year
				Cost	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	113,557,873	100.00%	291,846,722	291,846,722	–	–	15,837,331	10,649,435	–	–
SCI 103 GRENELLE	150	7,522,732	100.00%	1,169,740	1,169,740	170,017,485	–	9,643,695	4,261,535	–	–
SCI WASHINGTON	94,872,000	15,607,815	66.00%	79,788,878	79,788,878	111,838,306	–	21,508,089	11,500,162	–	–
2 - Affiliates (10-50%-owned)											
SAS PARHOLDING	15,000,000	3,126,362	50.00%	18,400,300	18,400,300	12,550,536	–	–	267,586	901,458	–
B- Aggregate information about investments not listed in A above:											
1 - Subsidiaries (at least 50%-owned)				380,493	380,493	–	–	–	(76,223)	772,733	–
2 - Affiliates (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 Management Committee as of 31 December 2014

As of 31 December 2014, the Board of Directors had thirteen members, including three independent directors: Anne-Marie de Chalambert, Jacques Calvet and Anthony Wyand.

Members of the Board of Directors as of 31 December 2014

Juan José Brugera Clavero, Chairman and Chief Executive Officer
Angels Arderiu Ibars, Director
Jacques Calvet, Independent director
Anne-Marie de Chalambert Independent director
Jean-Jacques Duchamp, Director
Chantal du Rivau, Director
Carlos Fernandez-Lerga Garralda, Director
Carmina Gañet Cirera, Director
Carlo Krohmer, Director
Luis Maluquer Trepas, Director
Pere Viñolas Serra, Director⁽¹⁾
Anthony Wyand, Independent director
Reig Capital Group Luxembourg SARL, Director (represented by Carlos Enseñat Reig)

(1) Appointed Vice-Chairman on 11 February 2015

Changes in the membership of the Board of Directors during 2014 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 2014

Nicolas Reynaud, Chief Financial Officer – Managing Director⁽¹⁾
François Sebillotte, Chief Resources Officer, Secretary to the Board
Dimitri Boulte, Chief Operating Officer – Deputy Managing Director⁽²⁾
Fabienne Boileau, Director of Management Control and Accounting⁽³⁾
François Derrian, Human Resources Director
Aude Grant, Transactions and Business Strategy Director
Franck Morin, Property Management Director
Eric Oudard, Technical and Development Director

(1) Appointed Chief Executive Officer on 27 January 2015.

(2) Appointed Managing Director on 27 January 2015.

(3) Appointed Chief Financial Officer on 27 January 2015.

Nicolas Reynaud, 53, joined SFL in 2006 as Chief Financial Officer/Deputy Managing Director and member of the Management Committee. He was appointed Managing Director in 2008. He began his career in 1984 with CAMCA before moving to Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer. He gave up his position as Chief Financial Officer of SFL on 27 January 2015 following his appointment as Chief Executive Officer.

François Sebillotte, 59, has been Chief Resources Officer since 2001 and Secretary to the Board since 2011. He began his career in 1982 by joining law firm KPMG Fidal. From 1987 to 1992, he worked as Director of Legal Affairs for business guide publisher Editions Liaisons, later serving as the head of Legal Affairs and a member of the Management Committee for investment fund Unigrains, until joining SFL. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

Dimitri Boulte, 37, 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.

He was appointed as Managing Director by SFL's Board of Directors on 27 January 2015.

Fabienne Boileau, 47, was appointed as Management Control and Accounting Director in 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.

She was appointed as Chief Financial Officer on 27 January 2015.

François Derrian, 45, 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).

Aude Grant, 33, has served as Transactions and Business Strategy Director since 12 May 2014. A graduate of HEC business school, she began her career in the Transaction Services department of Deloitte. In 2006, she joined the Foncière des Régions group, where she successively held the positions of Analyst, Portfolio & Acquisitions Manager and Office Division Asset Management and Investments Director.

Franck Morin, 42, 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.

Eric Oudard, 46, joined SFL's Management Committee as Technical and Development Director in 2014. He 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.

3.2. Directorships and other positions held by the Managing Director as of 31 December 2014

The directorships held by Nicolas Reynaud, Managing Director as of 31 December 2014 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 (see Appendix 7.5).

Nicolas Reynaud

Position: Managing Director, Chief Financial Officer

First elected: 2008

Nicolas Reynaud gave up his position as Managing Director and Chief Financial Officer on 27 January 2015, following his appointment as Chief Executive Officer.

Business address: 42 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2014:

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 and re-election/election of directors

At the Special General Meeting held on 14 November 2014, shareholders ratified the appointment as a director of Chantal du Rivau decided by the Board on 28 May 2014 to fill the seat left vacant by the resignation of Aref Lahham.

The terms as director of Anne-Marie de Chalambert, Angels Arderiu Ibarras and Jacques Calvet will expire at the Annual Meeting.

Shareholders are invited to re-elect Anne-Marie de Chalambert and Jacques Calvet 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 2015, and Angels Arderiu Ibarras 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 2017.

Anne-Marie de Chalambert and Jacques Calvet are proposed for re-election for one-year terms in accordance with the Articles of Association, as they are both over 70 years of age.

Anne-Marie de Chalambert, Angels Arderiu Ibarras and Jacques Calvet have all confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

3.3. Remuneration

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

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 Financiers' 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.

These tables concern the year ended 31 December 2014.

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 allocated on the above basis without taking into account each director's attendance rate.

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

Juan José Brugera Clavero Chairman of the Board and Chief Executive Officer as from 23 July 2014	2013	2014
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)	56,053	55,743
Total	242,053	241,743

(1) At its meetings on 5 March 2013 and 4 March 2014, the Board decided to award a total of 7,500 performance shares to Juan José Brugera Clavero (3,750 in 2013 and 3,750 in 2014). For details of the vesting and other conditions and the fair value of these performance shares see page 35 *et seq.*

Bertrand Julien-Laferrrière Chief Executive Officer until 8 July 2014	2013	2014
Remuneration due for the year ⁽¹⁾ (see Table 2 for details)	911,408	652,281
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)	326,495	324,693
Total	1,237,903	976,974

(1) 2013 remuneration: remuneration due in 2013 (Table 2) – 2012 bonus paid in 2013 + 2013 bonus paid in 2014.

2014 remuneration: remuneration due in 2014 (Table 2) – 2013 bonus paid in 2014.

(2) At its meetings on 5 March 2013 and 4 March 2014, the Board decided to award a total of 43,686 performance shares to Bertrand Julien-Laferrrière (21,843 in 2013 and 21,843 in 2014). For details of the vesting and other conditions and the fair value of these performance shares see page 35 *et seq.*

Nicolas Reynaud Managing Director	2013	2014
Remuneration due for the year ⁽¹⁾ (see Table 2 for details)	466,276	443,369
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)	65,290	64,930
Total	531,566	508,299

(1) 2013 remuneration: remuneration due in 2013 (Table 2) – 2012 bonus paid in 2013 + 2013 bonus paid in 2014.

2014 remuneration: remuneration due in 2014 (Table 2) – 2013 bonus paid in 2014 + 2014 bonus paid in 2015.

(2) At its meetings on 5 March 2013 and 4 March 2014, the Board decided to award a total of 8,738 performance shares to Nicolas Reynaud (4,369 in 2013 and 4,369 in 2014). For details of the vesting and other conditions and the fair value of these performance shares see page 35 *et seq.*

Nicolas Reynaud's remuneration presented above corresponds to the amounts paid to him under his employment contract as Chief Financial Officer. He is not paid any additional remuneration for serving as Managing Director.

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

Juan José Brugera Clavero, Chairman of the Board and Chief Executive Officer as from 23 July 2014	2013		2014	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Fixed remuneration ⁽¹⁾	150,000	150,000	150,000	150,000
Annual bonus	0	0	0	0
Exceptional bonus	0	0	0	0
Directors' fees ⁽²⁾	36,000	36,000	36,000	36,000
Benefits in kind	0	0	0	0
Other	0	0	0	0
Total	186,000	186,000	186,000	186,000

(1) The above remuneration was paid to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors. He was not paid any remuneration for serving as Chief Executive Officer as from 23 July 2014.

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

Bertrand Julien-Laferrrière, Chief Executive Officer until 8 July 2014	2013		2014	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	420,000	420,000	224,218	224,218
Annual bonus ⁽¹⁾	479,485	479,485	449,953	449,953
Exceptional bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind ⁽²⁾	19,669	19,669	14,121	14,121
Other ⁽³⁾⁽⁴⁾	21,786	21,786	413,942	413,942
TOTAL	940,940	940,940	1,102,234	1,102,234

(1) The method for calculating Bertrand Julien-Laferrrière's bonus was decided by the Board of Directors on 16 February 2012 for the 2012 bonus paid in 2013 and on 14 February 2013 for the 2013 bonus paid in 2014.

Mr. Julien-Laferrrière was not paid any bonus for 2014.

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 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 2012 and 2013 (paid in 2013 and 2014 respectively) set up pursuant to an internal agreement with employee representatives dated 30 June 2011. Profit shares payable in 2015 in respect of 2014 had not been determined at the date this document was published.

(4) The 2014 amount includes €410,006 in compensation for loss of office payable following the 8 July 2014 decision by the Board of Directors to terminate his appointment as Chief Executive Officer.

The terms and conditions for determining this compensation for loss of office, as decided by the Board of Directors at its meetings of 5 October 2010 and 14 December 2010 are presented on page 20.

Nicolas Reynaud Managing Director	2013		2014	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	251,427	251,427	251,893	251,893
Annual bonus ⁽¹⁾	191,984	191,984	186,647	186,647
Exceptional bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind ⁽²⁾	3,552	3,552	3,619	3,619
Other ⁽³⁾	24,650	24,650	9,735	9,735
TOTAL	471,613	471,613	451,894	451,894

(1) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 16 February 2012 for the 2012 bonus paid in 2013 and on 14 February 2013 for the 2013 bonus paid in 2014.

His 2014 bonus, calculated according to the method decided by the Board of Directors on 4 March 2014, amounted to €178,122 and was paid in 2015.

The criteria and methods used for calculating bonuses are described on page 19.

(2) Company car.

(3) Matching employer payments on voluntary contributions for 2013 and 2014 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 2012 and 2013 (paid in 2013 and 2014 respectively) set up pursuant to internal agreements with employee representatives dated 20 June 2002 and 30 June 2011. Profit shares payable in 2015 in respect of 2014 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 2013	Amounts paid in 2014
Anthony Wyand		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean Arvis ⁽¹⁾		
Directors' fees	24,000	7,492
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
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 ⁽²⁾		
Directors' fees	24,000	7,956
Other remuneration	0	0

Name	Amounts paid in 2013	Amounts paid in 2014
Anne-Marie de Chalambert		
Directors' fees	18,000	22,127
Other remuneration	0	0
Bertrand Letamendia ⁽³⁾		
Directors' fees	18,000	5,619
Other remuneration	0	0
Carlos Losada Marrodan ⁽⁴⁾		
Directors' fees	18,000	2,188
Other remuneration	0	0
Luis Maluquer Trepas		
Directors' fees	18,000	18,000
Other remuneration	0	0
Angels Arderiu Ibars ⁽⁵⁾		
Directors' fees	0	14,917
Other remuneration	0	0
Carlos Krohmer ⁽⁶⁾		
Directors' fees	0	12,381
Other remuneration	0	0
Chantal du Rivau ⁽⁷⁾		
Directors' fees	0	10,691
Other remuneration	0	0
Total	306,000	285,371

(1) Director until 24 April 2014

(2) Director until 1 May 2014

(3) Director until 24 April 2014

(4) Director until 13 February 2014

(5) Director from 4 March 2014

(6) Director from 24 April 2014

(7) Director from 28 May 2014

TABLE 4 – STOCK OPTIONS GRANTED DURING THE YEAR TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES⁽¹⁾

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 exercised during the year
Bertrand Julien-Laferrière						No stock options were exercised during the year
Nicolas Reynaud						No stock options were exercised during the year

(1) Except for stock options granted in respect of the adjustment made in application of Article L.228-99 of the French Commercial Code following the distribution from the share premium account of a special distribution of €0.70 per eligible share, as decided by the General Meeting of 14 November 2014.

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

Name	Plan no. and date	Number of options exercised during the year	Exercise price
Juan José Brugera Clavero		No stock options were exercised during the year	
Bertrand Julien-Laferrrière		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 granted 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 4 March 2014	3,750	55,743	3 March 2017	3 March 2019	
Bertrand Julien-Laferrrière	Plan 1 4 March 2014	21,843 ⁽⁶⁾	324,693	3 March 2017	3 March 2019	
Nicolas Reynaud	Plan 1 4 March 2014	4,369	64,930	3 March 2017	3 March 2019	
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 4 March 2014 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 4 March 2014, 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 35.

(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 (€31.48 for performance share rights awarded under the plan dated 4 March 2014).

(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. 3 March 2017 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 two-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 36.

(6) Shares cancelled due to the departure of Bertrand Julien-Laferrrière on 8 July 2014.

TABLE 7 – PERFORMANCE SHARES AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR 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-Lafferrière	Plan no. 2 dated 16 February 2012	20,516	See page 35
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 General Meeting	21 April 2005
Grant date	13 March 2007
Number of shares under option ⁽¹⁾	286,328
Number of options exercisable by:	
• serving corporate officers as of the grant date	82,272
• serving corporate officers as of 31 December 2014	26,538
• Nicolas Reynaud, Managing Director	26,538
Starting date of option exercise period	13 March 2011
End of the exercise period	12 March 2015
Adjusted exercise price (in €) ⁽¹⁾	58.97
Exercise periods (plans comprising several tranches)	–
Number of options exercised at 31 December 2014	0
Cumulative number of options cancelled or forfeited	84,618
Number of options outstanding at 31 December 2014	201,710

(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 payment from the share premium account of successive special distributions of €0.70 per eligible share, as decided by the General Meetings of 4 November 2011, 15 November 2012 and 14 November 2014.

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

	Number of options granted/exercised	Weighted average price in €	Plan no.°
Stock options granted in 2014 by the Company and other participating entities to the ten employees other than corporate officers who received the greatest number of options (aggregate information)	1,492 ⁽¹⁾	58.97	Plan dated 13 March 2007
Stock options exercised in 2014 by the ten employees other than corporate officers who exercised the greatest number of options (aggregate information)	No stock options were exercised during the year		

(1) Options granted in respect of the adjustment made following the payment from the share premium account of a special distribution of €0.70 per eligible share, as decided by the General Meeting of 14 November 2014.

TABLE 10 - SUMMARY OF PERFORMANCE SHARE RIGHTS GRANTED IN PREVIOUS YEARS

	Plan no. 1			Plan no. 2
Date of General Meeting	9 May 2011			
Grant date	16 February 2012	5 March 2013	4 March 2014	16 February 2012
Total performance share rights granted of which, rights granted to:	49,481	52,716	50,972	20,516
Corporate officers:	29,962	29,962	29,962	20,516
• Juan José Brugera Clavero	3,750	3,750	3,750	–
• Bertrand Julien-Laferrière	21,843	21,843	21,843	20,516
• Nicolas Reynaud	4,369	4,369	4,369	–
Vesting date	15 February 2015	4 March 2016	3 March 2017	15 February 2014
End of lock-up period	14 February 2017	3 March 2018	2 March 2019	14 February 2016
Performance criteria	See page 36			
Number of vested performance shares as of 31 December 2014	–	–	–	20,516
Cumulative number of performance share rights cancelled or forfeited	5,108	15,855	22,161	–
Number of performance share rights outstanding at 31 December 2014	44,373	36,861	28,811	–

TABLE 11 – INFORMATION ABOUT EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION SCHEMES, TERMINATION BENEFITS PAID OR PAYABLE AND NON-COMPETE INDEMNITIES PAID OR PAYABLE

Name	Employment contract		Supplementary pension benefits		Termination benefit paid or payable		Non-compete indemnity paid or payable	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José Brugera Clavero Chairman and Chief Executive Officer as from 23 July 2014		X		X		X		X
Bertrand Julien-Laferrière Chief Executive Officer until 8 July 2014		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). In 2014, Mr. Julien-Laferrière was paid compensation of €410,006 following the 8 July 2014 decision by the Board of Directors to terminate his appointment as Chief Executive Officer.

(2) In 2014, Nicolas Reynaud had an employment contract covering his duties as Chief Financial Officer, a position he had held since 15 May 2006. The position of Managing Director, to which he was appointed by the Board on 25 September 2008, was 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.

Following his appointment as Chief Executive Officer, by decision of the Board of Directors on 27 January 2015, Nicolas Reynaud resigned from his salaried position as Chief Financial Officer with immediate effect.

(3) In 2014, Nicolas Reynaud would not have been 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 certain members of the Company's Management Committee. In his capacity as Chief Financial Officer in 2014, Nicolas Reynaud was 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 had been dismissed (unless for gross misconduct) or had resigned within 18 months following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder resulting in a significant change in responsibilities, he would have received compensation in addition to the termination benefit due by law or under the collective bargaining agreement, provided that he undertook not to encourage the departure of other Company employees. The amount of said compensation was set at double the gross annual remuneration for the financial year preceding the dismissal or resignation.

Performance criteria used to determine the 2013 and 2014 bonuses of the Chief Executive Officer and the Managing Director

At its 14 February 2013 meeting, the Board of Directors decided on the performance criteria to be used to determine the 2013 bonuses of the Chief Executive Officer and the Managing Director, based on the recommendation of the Remunerations and Selection Committee.

These bonuses were determined as follows:

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

For 2013, the first 50% of the bonus was based on EPRA earnings, with a target of €63.2 million, and was calculated as shown below:

Actual performance as a % of the target	2013 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 was 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 4 March 2014 meeting, the Board of Directors approved the performance targets for the 2014 bonuses of the Chief Executive Officer and the Managing Director based on the recommendation of the Remunerations and Selection Committee.

The same breakdown applied as in 2013, as follows:

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

The selected quantitative criterion was EPRA earnings, with the target for 2014 set at €51.6 million.

The bonus rates were the same as for 2013.

The qualitative performance targets for 2013 and 2014 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, which was updated in 2006, provides 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 2006 remuneration in euros. The change of control clause applies to Nicolas Reynaud in his capacity as a member of the Management Committee. The corresponding amendment to his employment contract was authorised by the Board of Directors on 9 December 2008 and approved by shareholders on 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.

Note: Nicolas Reynaud resigned from his salaried position as Chief Financial Officer on 27 January 2015, following his appointment as Chief Executive Officer, and has not been covered by this change of control clause since that date.

However, in his capacity as Chief Executive Officer – a position he has held since 27 January – he would be entitled to compensation for loss of office on the basis described below.

Compensation for loss of office equal to two years' salary and bonus payable to Nicolas Reynaud in the event that his departure is (i) imposed, (ii) linked to a change in control or strategy and (iii) decided for reasons other than gross or wilful misconduct.

Up to 31 December 2017, the bonus used for the calculation will correspond to the last annual bonus paid to him prior to his separation.

As from 1 January 2018, it will correspond to the average of the bonuses paid to him for the final three years.

No exceptional bonuses or other components of his remuneration package would be taken into account in the calculation.

The compensation amount would also depend on the growth in the previous year's EPRA earnings compared with the average increase for the two preceding years, as follows:

EPRA earnings vs. average for two preceding years	Compensation for loss of office
100% or more	100%
Between 90% and 100%	80%
Between 75% and 90%	50%
Less than 75%	0%

In effecting the comparison, account would be taken of changes in the property portfolio in the years concerned.

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.

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

The agreement provided for the payment of compensation for loss of office to Bertrand Julien-Laferrière in the event that he was 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 was 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.

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.

On 8 July 2014, the Board of Directors dismissed Bertrand Julien-Laferrière from his position as Chief Executive Officer and noted that the criteria for paying him compensation for loss of office had been fulfilled.

As average actual performance for the years 2012, 2013 and 2014 represented 97.53% of the quantitative targets, the compensation for loss of office was paid to him in full, in the amount of €410,006. This amount corresponded to the sum of one half of his last annual salary (€215,000) and one half of the average of his annual bonuses for the three years preceding his separation (€195,006).

4 March 2014 performance share plan

On 4 March 2014, 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 2016).

■ 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 two-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 CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

	2014
2014 salaries	831,641
2014 bonuses ⁽¹⁾	364,331
Benefits in kind	24,180
Exceptional bonuses	22,750
Statutory/discretionary profit-sharing ⁽²⁾	21,955
Matching payments to the Group Pension Savings Plan (PERCO)	20,520

(1) With the same 50/50 split between quantitative and qualitative targets as for the bonuses awarded to the Chief Executive Officer and the Managing Director, as decided by the Board of Directors on 12 February 2014.

(2) Statutory and discretionary profit shares paid in 2014 pursuant to the internal agreements of 20 June 2002 and 30 June 2011. Profit shares payable in 2015 in respect of 2014 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 2014

At its meeting on 27 January 2015, the Board of Directors decided to separate the positions of Chairman of the Board of Directors and Chief Executive Officer.

Nicolas Reynaud was appointed as Chief Executive Officer.

Juan José Brugera Clavero, who had combined the positions of Chairman and Chief Executive Officer since 23 July 2014, continues to serve as Chairman of the Board.

Dimitri Boulte was appointed Managing Director at the same meeting.

Fabienne Boileau took over as Chief Financial Officer on 27 January 2015.

Pere Viñolas Serra was appointed Vice-Chairman of the Board of Directors on 11 February 2015.

4.2. Outlook

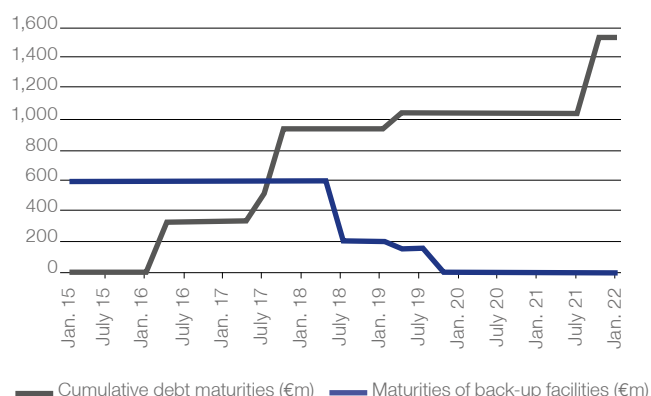
Forecast developments and outlook

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

1- LIQUIDITY RISK

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2014, SFL had access to confirmed undrawn lines of credit representing €600 million compared with €700 million at 31 December 2013. As shown in the graph below, the liquidity represented by these back-up facilities is sufficient to cover the Group's repayment obligations under its lines of credit up until November 2017.



With its available credit lines, diversified debt structure and the quality of its assets, SFL manages its liquidity risk prudently and effectively.

The acceleration clauses contained in the facility agreements are presented in Note VI-12 to the consolidated financial statements.

See also in Note VI-12 to the consolidated financial statements (Short and long-term interest-bearing debt):

- Analysis of borrowings by maturity (page 167),
- Debt covenants and acceleration clauses (page 167).

2- COUNTERPARTY RISKS

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 emphasised 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.

3- CURRENCY RISK

SFL had no exposure to currency risks at 31 December 2014.

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.

The recent €500 million seven-year bond issue at 1.875% will enable the Group to benefit from historically low interest rates over seven years in a period of flattening yield curves.

At 31 December 2014, 90% of debt was hedged against interest rate risks.

b) Risk assessment

The average spot cost of debt after hedging stood at 2.86% at 31 December 2014, versus 3.34% at 31 December 2013.

A 50-basis point rise in interest rates across the yield curve in 2014 would have had the effect of increasing the average cost of debt to 2.92%, driving up finance costs by €953 thousand or 1.5%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 2.80%, and reduced finance costs by €953 thousand or 1.5%.

Concerning hedging instruments, a 50-basis point increase in interest rates would have the effect of increasing the fair value of hedging instruments by €2,456 thousand at 31 December 2014 and €3,265 thousand at 31 December 2013, while a 50-basis point decrease would reduce their fair value by €2,503 thousand at 31 December 2014 and €3,344 thousand at 31 December 2013.

The table below shows the Group's net exposure to interest rate risk after hedging:

(in thousands of euros)	31 December 2014	31 December 2015	31 December 2016	31 December 2017	31 December 2018
Syndicated loans	–	–	–	–	–
BECM revolving facility	100,000	100,000	100,000	100,000	100,000
Natixis-Deka-Deutsche Hypothekenbank loan	202,198	199,883	196,796	–	–
Lease liabilities	30,061	27,271	–	–	–
Current account advances	70,016	70,016	–	–	–
Cadif loan	30,000	–	–	–	–
Total floating rate debt	432,275	397,170	296,796	100,000	100,000
Natixis-Deka-Deutsche Hypothekenbank swaps	185,220	185,220	185,220	–	–
Total interest rate hedges	185,220	185,220	185,220	–	–
NET UNHEDGED POSITION	247,055	211,950	111,576	100,000	100,000

See also Note VI-30, page 173.

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.

- 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 4.1% to a negative 3.6%.

- The availability of bank financing

The credit market is still volatile in the wake of the financial crises of recent years. Some market players may have to scale back their activities because of the need to refinance borrowings falling due in the coming years, while the banks may be less inclined to finance higher risk projects.

6- ASSET VALUATION RISKS

As a direct result of property market trends, the Company is exposed to the risk of a fall in value of its assets that would directly affect consolidated profit and NAV.

The information needed to evaluate this risk is provided in Notes II-3, II-4 and VI-3 to the consolidated financial statements (pages 154, 155 and 163).

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

It has become more complicated and costly in the current market environment to use leverage to increase profitability and drive down risk premiums.

In this environment, our main competitors are investors with considerable equity capital, such as insurers, SCPI and OCPI property funds and sovereign wealth funds, and other investors with fairly low levels of debt and gearing.

8- TENANT RISKS

The Company derives most of its revenue from renting its property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2014, our top ten tenants accounted for around 43% of total rental revenue and the top five for roughly 28%. The tenant base comprises companies operating in a wide variety of sectors such as financial services, real estate, consulting, insurance, fashion and luxury goods and law firms.

All rents are subject to escalation clauses, with 44% adjusted based on the INSEE construction cost index, 22% on the ILAT office rent index, 15% on the ILC commercial property rent index and 19% on the IRL residential property rent index.

Our 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 we may be obliged to reduce the rent charged to certain tenants due to their financial position.

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

9- RISKS ASSOCIATED WITH THE AVAILABILITY AND COST OF FINANCING

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

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

Funds can be raised by selling assets, but this source of financing is subject to market risk. Decreased sales and troubled markets could lead to financial losses and the premature sale of assets could hinder implementation of our 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 property renovations and refurbishments and refinance existing debt.

The Company's financing needs could increase if acceleration clauses in existing loan agreements are triggered. Some loan agreements contain acceleration clauses that would be triggered if certain hard or soft covenants were breached, or if there was a change of control of the Company. A change of control is defined in our loan agreements as the loss by our current majority shareholder of its majority interest in SFL. The credit facilities concerned represented a total of €100 million at 31 December 2014.

10- 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 some 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.

11- RISKS ASSOCIATED WITH SUBCONTRACTORS AND OTHER SERVICE PROVIDERS

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

12- 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 SIIIC 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 position. Non-compliance with the applicable environmental and public health regulations and changes to those regulations could lead to additional operating expenses and maintenance costs or hinder the development of our business, which could affect our results. In addition, if we cannot comply with regulations or prevent an environmental incident, our properties could lose their appeal and we could be subject to sanctions that could generate additional costs and damage our reputation. 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.

13- 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 authorisations 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.

14- RISKS OF NEIGHBOUR COMPLAINTS

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

Neighbour 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.

15- RISKS ASSOCIATED WITH THE MAJORITY SHAREHOLDER

With the majority of SFL's share capital and voting rights, Colonial 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.

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

16- RISKS ASSOCIATED WITH THE SIIC TAX REGIME

16.1 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.

16.1.1 Conditions for eligibility

SFL's eligibility for the SIIC tax regime depends on its on-going 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.

16.1.2 Distribution obligations

The SIIC must distribute to shareholders:

- 95% (since 1 January 2014) 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.
- 60% (since 1 January 2014) 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.

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

16.2.1 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.

16.2.2 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 above-mentioned 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.

16.2.3 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-exempt 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.

16.3 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.

16.4 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.

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

16.5 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 a still soft world insurance market, SFL chose to continue working with its pool of leading, highly respected insurers, including Axa and Allianz.

The insurers' response to the major fire that occurred on 22 October 2014 in the car park below the Édouard VII complex confirmed the wisdom of this choice.

1. PROPERTY DAMAGE INSURANCE

This policy taken out by SFL covers all of its property assets and those of its subsidiaries that are:

- fully owned, or
- co-owned.

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.

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.

In 2014, the level of insurance cover for the 82/90 Champs-Élysées co-owned property was reviewed. Following this review, the cover purchased by the third-party manager was improved and more closely coordinated with that taken out by SFL.

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

In 2014, a major project was undertaken to accurately estimate the rebuilding cost of the properties in the portfolio based on valuations prepared by a firm of consultants, Galtier. The project's results will enable us to accurately determine the insurance capacity to be sought for in the insurance market.

The work will be continued in 2015 and will take into account existing estimates of the rental revenue that would be lost during the time required to rebuild and repair the properties after a major incident, given their location, the complexity of the work that would be involved, the size of the site, unavoidable administrative time and any third party claims. Our 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.

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 42 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.

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. "Inexcusable fault" cover has been 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 has been reworked, 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.

C – 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.

4.5. 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.

See also Note IV-3 to the consolidated financial statements (Tax Audits), page 160.

5. SFL and its shareholders

5.1. Information about the Company's capital

CHANGES IN CAPITAL OVER THE LAST FIVE YEARS (2010-2014)

Date	Description	Issues			New capital	
		Number of shares	Par value	Gross premium	Total number of shares	New capital
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
2014	None	–	–	–	46,528,974	€93,057,948

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2014

Major shareholders	Total shares	Total voting rights	Group total	% interest	% voting rights ⁽¹⁾
Inmobiliaria Colonial SA	24,726,400	24,726,400	24,726,400	53.14%	53.63%
Predica ^(a)	5,979,089	5,979,089		12.85% ⁽²⁾	12.97% ⁽³⁾
Other subsidiaries Crédit Agricole Assurance and Dolcea Vie ^(b) /Crédit Agricole Life Insurance Company/CALI Europe/ CARE	GROUP CRÉDIT AGRICOLE SA 140,000	140,000	6,119,089	0.30% ⁽²⁾	0.30% ⁽³⁾
DIC Holding LLC ^(c)	3,978,554	3,978,554	3,978,554	8.55%	8.63%
Qatar Holding LLC ^(c)	6,345,428	6,345,428	6,345,428	13.64%	13.76%
Reig Capital Group ^(d)	2,038,955	2,038,955	2,038,955	4.38%	4.42%
Sub-total, main shareholders	43,208,426	43,208,426	43,208,426	92.86%	93.72%
Free float	2,893,853	2,893,853	2,893,853	6.22%	6.28%
Treasury shares	426,695	–	426,695	0.92%	–
TOTAL	46,528,974	46,102,279	46,528,974	100.00%	100.00%

(a) Life/health insurance subsidiaries of the Crédit Agricole Group.

(b) European broker, member of the Crédit Agricole Group and a wholly-owned subsidiary of CA-CIB.

(c) DIC Holding LLC and Qatar Holding LLC are shareholders acting in concert (see 214C0691, pages 32 and 33)

(d) 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 2014 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) Total interest held by the Crédit Agricole Group: 13.15%.

(3) Total voting rights held by the Crédit Agricole Group: 13.27%.

CHANGES IN OWNERSHIP STRUCTURE AND VOTING RIGHTS

Major shareholders	2011 ^(a)		2012 ^(a)		2013 ^(a)	
	% interest	% voting rights ^(b)	% interest	% voting rights ^(b)	% interest	% voting rights ^(b)
Inmobiliaria Colonial	53.45%	54.03%	53.45%	53.96%	53.14%	53.65%
Crédit Agricole Group, of which:	13.64%	13.79%	13.64%	13.77%	13.93%	14.06%
. CACIB/Calyon	8.55%	8.64%	8.55%	8.63%	8.55%	8.63%
. Predica	5.09%	5.15%	5.09%	5.14%	5.09%	5.14%
. Crédit Agricole Chevreux	n.m.	n.m.	n.m.	n.m.	0.29%	0.29%
Royal Bank of Scotland	7.25%	7.33%	7.41%	7.48%	7.49%	7.56%
Unibail Rodamco SE	7.25%	7.33%	7.25%	7.32%	7.25%	7.32%
Orion III European 3 SARL	6.39%	6.46%	6.39%	6.45%	6.39%	6.45%
Reig Capital Group	4.38%	4.43%	4.38%	4.42%	4.38%	4.42%
Free float	6.57%	6.63%	6.53%	6.60%	6.48%	6.54%
Treasury stock	1.07%	–	0.95%	–	0.94%	–
TOTAL	100%	100%	100%	100%	100%	100%

(a) At 31 December of each year.

(b) 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 any of the three years presented.

Changes in interests disclosed to the Company since 1 January 2015

None

Changes in interests disclosed to the Company in 2014

214C0561: On 11 April 2014, Crédit Agricole SA (12 place des Etats-Unis, 92127 Montrouge) disclosed that on 7 April 2014 its indirect interest in SFL held through several controlled companies (Predica, Crédit Agricole Assurances, Dolcea Vie, Crédit Agricole Life Insurance Company, Cali Europe, Care and Crédit Agricole Corporate & Investment Bank) had been reduced to less than 10% of the Company's capital and voting rights, and that at that date, it indirectly held 2,508,509 SFL shares representing 5.39% of the capital and voting rights, as follows:

	Shares and voting rights	% interest and voting rights
Predica	2,368,509	5.09
Crédit Agricole Assurances	103,961	0.22
Dolcea Vie	15,000	0.03
Credit Agricole Life Insurance Company	8,663	0.02
Cali Europe	7,426	0.02
Care	4,950	0.01
Crédit Agricole Corporate & Investment Bank	–	–
Total Crédit Agricole SA	2,508,509	5.39

The shares were sold off-market.

At the same time, Crédit Agricole Corporate & Investment Bank disclosed that it had reduced its interest to below 5% of the capital and voting rights and no longer held any SFL shares.

214C0565

On 11 April 2014, DIC Holding LLC⁽¹⁾ (8th Floor, Q-Tel Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar) disclosed that on 7 April 2014 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 3,978,554 SFL shares and voting rights, representing 8.55% of the capital and 8.64% of the voting rights⁽²⁾.

The shares were purchased off-market.

(1) Controlled by The Amiri Diwan of the State of Qatar.

(2) Based on a total of 46,528,974 shares and 46,069,049 voting rights outstanding.

214C0571

On 14 April 2014, Royal Bank of Scotland plc⁽¹⁾ (PO Box 31, 36 Saint Andrew Square, Edinburgh EH2 2YB, Scotland, United Kingdom) disclosed that on 11 April 2014 it had reduced its interest to below 5% of the capital and voting rights and no longer held any SFL shares.

The shares were sold off-market.

(1) Controlled by The Royal Bank of Scotland Group plc.

214C0594

1) On 17 April 2014, Crédit Agricole SA (12 place des Etats-Unis, 92127 Montrouge) disclosed that on 11 April 2014 its indirect interest in SFL held through several controlled companies (Predica, Crédit Agricole Assurances, Dolcea Vie, Crédit Agricole Life Insurance Company, Cali Europe and Care) had been increased to more than 10% of the Company's capital and voting rights, and that at that date, it indirectly held 5,881,223 SFL shares representing 12.64% of the capital and voting rights⁽¹⁾, as follows:

	Capital and voting rights	% interest and voting rights
Predica	5,741,223	12.34
Crédit Agricole Assurances	103,961	0.22
Dolcea Vie	15,000	0.03
Credit Agricole Life Insurance Company	8,663	0.02
Cali Europe	7,426	0.02
Care	4,950	0.01
Total Crédit Agricole SA	5,881,223	12.64

The shares were sold off-market.

At the same time, Predica disclosed that it had also increased its interest to more than 10% of the Company's capital and voting rights.

2) Crédit Agricole SA's disclosure letter included the following statement of intent:

"In accordance with Article L.233-7 VII of the French Commercial Code and Article 223-17 of the Autorité des Marchés Financier's General Regulations, Crédit Agricole SA hereby declares that the objectives of Crédit Agricole Assurances and its subsidiaries, Predica SA, Dolcea Vie, Crédit Agricole Life Insurance Company, Cali Europe and Care, concerning their interests in Société Foncière Lyonnaise for the coming months are as set out below.

Crédit Agricole Assurances and its subsidiaries declare that:

- The 3,372,714 SFL shares were purchased by Predica SA in application of its investment strategy for inclusion in the company's general insurance portfolio.
- They are not acting in concert with any other investor.
- Predica may make further purchases of SFL shares, depending on the results of its analyses and its investment strategy.
- They have no plans to acquire a controlling interest in SFL.
- The shares were purchased on the basis of SFL's strategy.
- They have no plans to intervene in this strategy and do not intend to carry out any of the transactions referred to in Article 223-17 I 6 of the Autorité des Marchés Financier's General Regulations.
- They are not party to any of the agreements and/or instruments referred to in paragraphs 4 and 4 bis of Article L.233-9 I of the French Commercial Code concerning SFL.
- They have not signed and are not party to any agreement for the temporary sale of SFL shares and/or voting rights.
- They do not plan to ask for one or more seats on SFL's Board of Directors."

(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.

214C0691

1) In a letter received by SFL on 30 April 2014, followed by a further letter received on 2 May 2014, Qatar Holding LLC⁽¹⁾ (8th Floor, Q-Tel Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar) disclosed that it had crossed the following disclosure thresholds on 28 April 2014 as a result of off-market purchases of SFL shares:

- Its individual interest in SFL was increased to over 5% of the Company's capital and voting rights through off-market purchases, with 3,372,714 shares and voting rights held on the disclosure date, representing 7.25% of the Company's capital and voting rights⁽²⁾.

- The interest held in concert with DIC Holding LLC⁽³⁾ was increased to over 5%, 10% and 15% of the Company's capital and voting rights, with 7,351,268 shares and voting rights held in concert on the disclosure date, representing 15.80% of the Company's capital and voting rights⁽²⁾, as follows:

	Shares and voting rights	% interest and voting rights
DIC Holding LLC	3,978,554	8.55
Qatar Holding LLC	3,372,714	7.25
Total shares and voting rights held in concert	7,351,268	15.80

At the same time, DIC Holding LLC's interest in SFL held in concert with Qatar Holding LLC rose to above 10% and 15% of the Company's capital and voting rights.

2) Qatar Holding LLC's disclosure letter included the following statement of intent:

Qatar Holding LLC and DIC Holding LLC hereby declare:

"In accordance with Article L.233-7 of the French Commercial Code, the following statement of intent is made for the next six months:

- the off-market purchase by Qatar Holding LLC from Unibail-Rodamco SE of 3,372,714 SFL shares was financed in full out of equity by Qatar Holding LLC.
- Qatar Holding LLC and DIC Holding LLC act in concert. There is no formal shareholders' pact between Qatar Holding LLC and DIC Holding LLC concerning their interests in SFL or stipulating that they will act in concert. Qatar Holding LLC and DIC Holding LLC do not act in concert with any other SFL shareholders.
- As of the date of this letter, Qatar Holding LLC and DIC Holding LLC together hold 7,351,268 SFL ordinary shares representing 15.80% of the Company's capital and voting rights.
- Qatar Holding LLC and DIC Holding LLC plan to make further purchases of SFL shares depending on the opportunities that arise. However, they do not intend to acquire control of the Company.
- Qatar Holding LLC and DIC Holding LLC intend to support the strategy implemented by SFL's management, while protecting their interests as minority shareholders of the Company.
- Qatar Holding LLC and DIC Holding LLC do not intend to carry out any of the transactions listed in Article 223-17 I 6 of the AMF's General Regulations.
- Qatar Holding LLC and DIC Holding LLC are not parties to any agreements and do not hold any of the financial instruments referred to in paragraphs 4 and 4 bis of Article L.233-9 I of the French Commercial Code.
- Qatar Holding LLC and DIC Holding LLC have not signed and are not party to any agreement for the temporary sale of SFL shares and/or voting rights.

- Qatar Holding LLC and DIC Holding LLC do not plan to ask for one or more seats on SFL's Board of Directors."

(1) Wholly-owned by The Qatar Investment Authority, which is controlled by the Qatar government.

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

(3) Wholly-owned by The Amiri Diwan of the State of Qatar, which is controlled by the Qatar government.

214C0694

On 2 May 2014, Unibail-Rodamco SE (7 place du Chancelier Adenauer, 75016 Paris) disclosed that it had reduced its interest in SFL on 28 April 2014 to below 5% of the capital and voting rights through the sale of 3,372,714 SFL shares in an off-market transaction with settlement/delivery on 5 May 2014, and that it no longer held any SFL shares.

214C0723

In a letter received by SFL on 6 May 2014, followed by a further letter received on 7 May 2014, Orion III European III SARL (11-13 boulevard de la Foire, L-1528, Luxembourg, Grand-Duchy of Luxembourg) disclosed that on 2 May 2014, it had reduced its interest in SFL to below 5% of the Company's capital and voting rights, and that it no longer held any SFL shares.

The shares were sold off-market.

214C0781

1) In a letter received by SFL on 7 May 2014 followed in particular by a letter received on 13 May 2014, the concert group made up of DIC Holding LLC⁽¹⁾ and Qatar Holding LLC⁽²⁾ (8th Floor, Q-Tel Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar) disclosed that on 1 May 2014 they had increased their combined interest in SFL to over 20% of the Company's capital and voting rights and that at that date they held 10,323,982 SFL shares and voting rights, representing 22.19% of the capital and voting rights⁽³⁾ as follows:

	Shares and voting rights	% interest and voting rights
Qatar Holding LLC	6,345,428	13.64
DIC Holding LLC	3,978,554	8.55
Total shares and voting rights held in concert	10,323,982	22.19

At the same time, Qatar Holding LLC disclosed that its individual interest in SFL had increased to above 10% of the Company's capital and voting rights.

The shares were purchased off-market.

2) The disclosure letters included the following statement of intent: "In accordance with Article L.233-7 VII of the French Commercial Code, the following statement of intent is made for the next six months:

- The off-market purchase by Qatar Holding LLC of 2,972,714 SFL shares was financed in full out of equity by Qatar Holding LLC.
- Qatar Holding LLC and DIC Holding LLC declare that they are acting in concert – they are under common management and the persons responsible for making investment decisions for Qatar Holding LLC and DIC Holding LLC are therefore the same. There is no formal shareholders' pact between Qatar Holding LLC and DIC Holding LLC concerning their interests in SFL or stipulating that they will act in concert. Qatar Holding LLC and DIC Holding LLC do not act in concert with any other SFL shareholders.
- As of the date of this letter, Qatar Holding LLC and DIC Holding LLC together hold 10,323,982 SFL ordinary shares representing 22.19% of the Company's capital and voting rights.
- Qatar Holding LLC and DIC Holding LLC plan to make further purchases of SFL shares depending on the opportunities that arise. However, they do not intend to acquire control of the Company.
- Qatar Holding LLC and DIC Holding LLC intend to support the strategy implemented by SFL's management, while protecting their interests as minority shareholders of the Company. Qatar Holding LLC and DIC Holding LLC do not intend to carry out any of the transactions listed in Article 223-17 I 6 of the AMF's General Regulations.
- Qatar Holding LLC and DIC Holding LLC are not parties to any agreements and do not hold any of the financial instruments referred to in paragraphs 4 and 4 *bis* of Article L.233-9 I of the French Commercial Code.

- They have not signed and are not party to any agreement for the temporary sale of SFL shares and/or voting rights.
- Qatar Holding LLC and DIC Holding LLC do not plan to ask for one or more seats on SFL's Board of Directors."

(1) Controlled by The Amiri Diwan of the State of Qatar. The Amiri Diwan is a government entity without any capital. DIC Holding LLC is an investment vehicle managed by The Qatar Investment Authority (QIA) and Qatar Holding LLC on behalf of The Amiri Diwan. The two senior executives of DIC Holding LLC are also senior executives of QIA.

(2) Controlled by QIA, the State of Qatar's sovereign wealth fund that does not have any capital.

(3) 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.

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

5.2. Share equivalents

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

5.3. Directors' interests

Directors at 31 December 2014	Number of SFL shares held by directors ⁽¹⁾ at 31 December 2014
Juan José Brugera Clavero	25
Angels Arderiu Ibars	25
Jacques Calvet	825
Anne-Marie de Chalambert	25
Chantal du Rivau	30
Jean-Jacques Duchamp	25
Carlos Fernandez-Lerga Garralda	50
Carmina Gañet Cirera	30
Carlos Krohmer	30
Luis Maluquer Trepas	400
Pere Viñolas Serra	3,325
Anthony Wyand	100
Reig Capital Group Luxembourg SARL (represented by Carlos Enseñat Reig)	2,038,955
Total	2,043,845

(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 carried out by the Company

Stock options granted to and exercised by the Chairman, the Chief Executive Officer and the Managing Director in 2014

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2014.

Stock options outstanding at 31 December 2014

	Plan	Number of options granted	Exercise price (in €)	Expiry date	Number of options exercised	Number of options outstanding at 31 December 2014
Nicolas Reynaud	13 March 2007 SFL	26,538	58.97	12 March 2015	–	26,538
TOTAL		26,538			–	26,538

Performance share grants

On 4 March 2014, 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 50,972 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, as amended by the addendum dated 5 March 2013.

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.

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.

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 two-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 24 April 2014 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 statutory 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 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 authorised 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 may not exceed 5% of the issued capital.

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

At 31 December 2014, the Company held 426,695 shares in treasury, representing 0.92% of the capital, breaking down as follows:

1. Shares purchased for allocation to SFL Group employees: 52,060.
2. Shares purchased under a liquidity contract with an investment firm: 13,011.
3. Shares held for delivery on exercise of rights attached to share equivalents: 338,341.
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 22 April 2015 Annual General Meeting authorising a further buyback programme. The maximum purchase price for these shares would be set at €60 (1st ordinary resolution).

The programme would concern the buyback of shares representing up to 10% of the Company's capital at the date of the Meeting, as adjusted if applicable for the effect of any capital increases or reductions carried out after the Meeting.

Based on the issued capital at 31 December 2014, up to 4,652,898 shares could be bought back under the programme. This ceiling will be adjusted in the event of any changes in issued capital that may take place in the period up to the date of the Annual General Meeting or in the subsequent period.

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 statutory 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 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 authorised by the applicable regulations.

If 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 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 2014 to 31 December 2014

Percentage of capital held by the Company and/or its subsidiaries	0.92%
Number of shares cancelled in the last 24 months	0
Number of shares held	426,695
Book value of the portfolio	€22,570,637.31
Market value of the portfolio (as of 31 December 2014)	€15,514,630.20

	Cumulative transactions		Open positions on the publication date of programme details			
	Purchases	Sales/ Transfers ⁽¹⁾	Open buy positions		Open sell positions	
			Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	105,584	97,904	–	–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€37.87	€37.95	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€3,998,403.23	€3,715,422.75	–	–	–	–

Transaction costs under the liquidity contract amounted to €26,800 in 2014.

(1) Not including the 20,516 performance shares awarded to Bertrand Julien-Laferrrière under Plan no. 2 dated 16 February 2012.

Transactions carried out by directors and officers or parties closely related to them

Pere Viñolas Serra, Director
 Type of instrument: shares
 Type of transaction: purchase
 Transaction date: 7 August 2014
 Disclosure date: 23 December 2014
 Market: Euronext Paris
 Unit price: €38.9992
 Transaction amount: €52,960.91

Pere Viñolas Serra, Director
 Type of instrument: shares
 Type of transaction: purchase
 Transaction date: 1 August 2014
 Disclosure date: 23 December 2014
 Market: Euronext Paris
 Unit price: €38.7
 Transaction amount: €5,495.4

Chantal du Rivau, Director
 Type of instrument: shares
 Type of transaction: purchase
 Transaction date: 3 July 2014
 Disclosure date: 8 July 2014
 Market: Euronext
 Unit price: €38.955
 Transaction amount: €1,168.65

Predica, a legal entity with close ties to Jean-Jacques Duchamp, member of the Board of Directors
 Type of instrument: shares
 Type of transaction: purchase
 Transaction date: 30 April 2014
 Disclosure date: 5 May 2014
 Market: Euronext
 Unit price: €37.35
 Transaction amount: €1,070,600.4

Predica, a legal entity with close ties to Jean-Jacques Duchamp, member of the Board of Directors
 Type of instrument: shares
 Type of transaction: purchase
 Transaction date: 28 April 2014
 Disclosure date: 29 April 2014
 Market: Euronext Paris
 Unit price: €38.8
 Transaction amount: €8,117,037.6

Predica, a legal entity with close ties to Jean-Jacques Duchamp, member of the Board of Directors
 Type of instrument: shares
 Type of transaction: purchase
 Transaction date: 11 April 2014
 Disclosure date: 16 April 2014
 Market: off-market
 Unit price: €41.5
 Transaction amount: €139,967,631

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 2014, on 8 October, 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

As of 31 December 2014, three employees (including one person who was also an officer of the Company) would have been entitled to compensation if they had resigned or been 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:

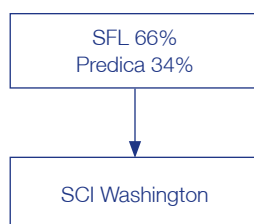
Length of service	Severance pay
1 to 2 years	4 months
2 to 5 years	5 months
5 to 7 years	6 months
7 to 11 years	7 months
11 to 15 years	8 months
15 to 19 years	9 months
19 to 22 years	10 months
More than 22 years	10 months + half a month per year of service beyond 21 years

5.5.3. Partnerships

Partner	Joint venture	Main clauses
Predica ⁽¹⁾	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica 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.

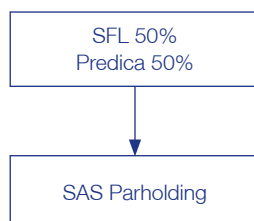
(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary Inmobiliaria Colonial SA, the joint venture partners agreed to SFL's change of control, as provided for under the terms of the related shareholders' pact.



Partner	Joint venture	Main clauses
Predica ⁽¹⁾	Parholding SAS ⁽²⁾ (50%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica 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) Predica, the life insurance subsidiary of Crédit Agricole Assurances, became SFL's partner in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.

(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 15 "Risks associated with the majority shareholder" on page 26.

a) Shareholders' pact between Colonial and Predica

Termination of the shareholders' pact was disclosed to the Autorité des Marchés Financiers (see D&I204C1487 below)

214C0898: On 21 May 2014, the Autorité des Marchés Financiers was notified by Inmobiliaria Colonial⁽¹⁾ that its shareholders' pact with Predica⁽²⁾⁽³⁾ would end on 24 November 2014.

(1) Spanish company whose shares are traded on the Madrid and Barcelona stock exchanges.

(2) Controlled by Crédit Agricole.

(3) See D&I no. 204C1487 dated 7 December 2004.

D&I 204C1487: A copy of the shareholders' pact signed on 24 November 2004 between Colonial and Predica was transmitted to the French securities regulator (Autorité des Marchés Financiers) on 1 December 2004. Predica 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 stipulated that they did not intend to act in concert at meetings of SFL shareholders. The sole purpose of the pact was to enable Predica to be represented on SFL's Board of Directors while exercising complete voting freedom at both General Meetings and Board Meetings. In addition, Colonial – as SFL's controlling shareholder – would be free to determine the Company's strategy and policies without Predica having a say in the matter. The main terms of the pact are as follows:

Representation of Predica on the Board of Directors and on certain Committees of the Board

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

The director nominated by Predica would sit on the Company's Audit Committee and any Investment Committee that might be set up.

Put option

Colonial undertook to buy back the SFL shares originally sold to Predica as well as any additional shares acquired by Predica 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 were to decide to revoke its election for the SIIC tax regime.
- If Colonial were to decide to delist SFL from compartment A of Euronext Paris.
- If Colonial were to decide to change the Company's strategic priorities compared with those announced when it took control of SFL and which were set out in the shareholders' pact.
- If Colonial failed to respect the provisions of the shareholders' pact concerning Predica's representation on SFL's Board of Directors, for a period of over four months.
- If SFL and Colonial decided to merge.

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

Finally, if Colonial decided to delist SFL and Predica did not exercise its put option, Predica would benefit from an exit clause in the case of a sale by Colonial of SFL shares to a third party that resulted 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 had a pre-emptive right to purchase any SFL shares offered by Predica, directly or indirectly, to any third party, with the customary exclusions (intercompany transfers by Predica and sales of shares to directors), provided that Predica could sell on the market in any 12-month period a number of shares representing up to 2% of SFL's capital.

Tag-along clause

Predica benefited from an exit clause in the case of a private sale by Colonial of SFL shares to a third party that had the effect of reducing Colonial's interest to less than 50% of SFL's capital where (i) Colonial did not cease to exercise control over SFL (as defined in Article L.233-3 of the French Commercial Code); (ii) the third party did not obtain an interest representing over one third of SFL's capital; or (iii) the third party was not required to file a takeover bid for SFL.

Cap on Predica's interest in SFL

In exchange for the commitments given by Colonial and in order to ensure the liquidity of SFL shares, Predica 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 was a reasonably liquid market for the shares (considered to be the case if the free float represented 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 was automatically renewable for successive five-year periods unless either party gave notice of its intention to withdraw from the pact at least six months before the next renewal date.

This shareholders' pact entered into on 24 November 2004 for an initial period of five years and renewed in 2009 for a further five-year period ended on 24 November 2014.

b) Shareholders' pact between SFL and Realia Patrimonio

214C1529:

On 24 July 2014, Société Foncière Lyonnaise (42 rue Washington 75008 Paris) disclosed that on 23 July 2014 it had reduced its interest in SIIC de Paris to less than 25%, 20%, 15% and 5% of the capital and voting rights and no longer held any SIIC de Paris shares.

The shares were sold off-market to Eurosic.

The sale of SFL's interest led to the termination of the shareholders' pact dated 25 November 2010 (see 210C1218 below).

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 was primarily intended to protect SFL's position as a minority shareholder of SIIC de Paris. The principal clauses were as follows:

- The SIIC de Paris Board of Directors had to have ten members, of which three nominated by SFL, and certain fundamental decisions⁽³⁾ of the Board could only be made by a majority vote of eight of the ten members.
- SFL would have had 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 would 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 included tag-along rights for SFL whereby, in the event of a planned transfer of SIIC de Paris shares by Realia, SFL would have had 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 planned to transfer all or some of its shares in a transaction that would reduce its interest to less than 55% of the capital and voting rights, and (ii) Realia subsequently decided 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 planned to transfer all or some of its shares in a transaction that would reduce its interest to less than 45% of the capital and voting rights and (ii) Realia subsequently decided to transfer additional SIIC de Paris shares.
- Realia had 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 planned to transfer its rights under the shareholders' pact to the acquirer.
- Any change of control of Realia Business SA (the parent company of Realia) that would 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) would have been considered as an event allowing SFL to require Realia to acquire its SIIC de Paris shares. SFL's put option on its entire interest in SIIC de Paris would have been exercisable in these cases at a price per share equal to SIIC de Paris's last published NAV per share (payable, at Realia's option, in cash or, subject to certain conditions, in assets held by Realia or by wholly owned subsidiaries of Realia).

– 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.

(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 gave 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

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 for shareholders resident in France	Portion of the dividend classified as a return of capital	Total dividend
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
2013	€1.40 €0.70	– –	€0.27 €0.70	€1.13 –	€65,140,563.60 €32,570,281.80

Shareholders also approved payment of a special distribution of €0.70 per share at the General Meeting of 14 November 2014.

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 95% of the exempted rental profits within 12 months of the close of the financial year in which the profits are earned, (ii) at least 60% 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 2014 financial statements, the Board of Directors will recommend paying a dividend of €1.40 per share, in line with the dividend policy applied in previous years.

5.8. Share performance

SFL shares have been quoted in Compartment A of 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)
2014	January	40.08	37.47	44,892	1.723
	February	38.80	37.50	64,263	2.443
	March	37.98	37.30	21,095	0.795
	April	38.00	35.45	312,171	11.948
	May	38.95	37.30	36,580	1.383
	June	39.79	38.60	27,650	1.078
	July	39.20	38.52	16,972	0.660
	August	39.20	38.29	24,553	0.949
	September	39.70	38.00	37,799	1.456
	October	38.25	36.20	101,675	3.761
	November	37.40	36.47	56,846	2.110
	December	37.97	36.35	53,205	1.972
2015	January	39.50	36.30	59,254	2.229
	February	43.50	39.25	59,860	2.477

6. 2014 CSR Report

Message from the Chief Executive Officer

"The underlying aim of corporate social responsibility (CSR) is for companies to integrate social, environmental and economic concerns into their business operations and relations with stakeholders with a view to 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 assets.

Rather than a passing fad or publicity opportunity, CSR 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 accordance with (i) the applicable laws and regulations, including Article 225 of France's Grenelle II Act on the environment (the "Grenelle II Act"), (ii) the best practices set out in the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI), and (iii) the recommendations of the European Platform of Regulatory Authorities (EPRA).

Therefore, as presented in this report, we have implemented an ambitious process based on the materiality of the CSR priorities that have been identified as relevant to our business and our stakeholders. In particular, our objectives are to reduce greenhouse gas emissions and the carbon footprint of our operations; certify properties in use and development projects to the latest standards; reduce energy and water use and improve waste management; support diversity, equal opportunities and employee training; improve building accessibility for the disabled; carry out client/user satisfaction surveys; 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 we will be implementing in the years ahead."

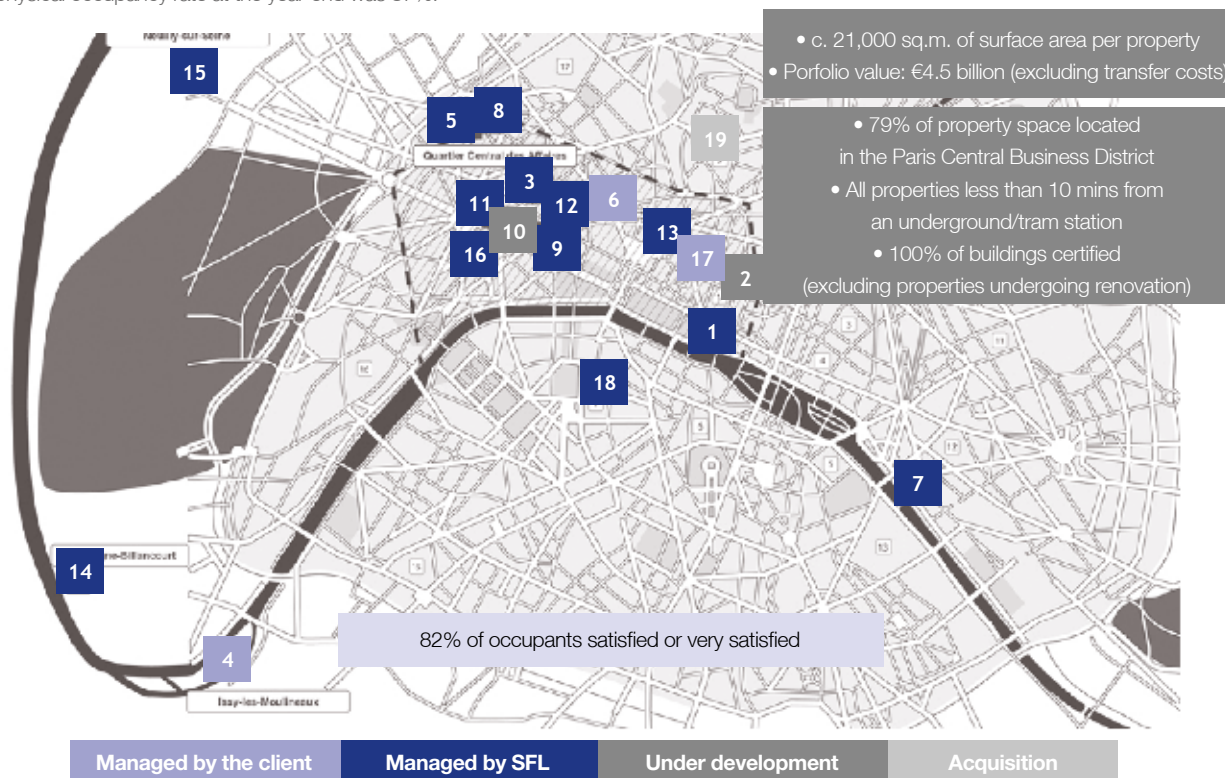
Nicolas Reynaud, Chief Executive Officer, SFL



Presentation of SFL

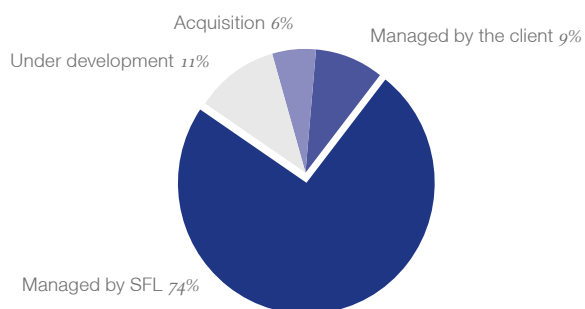
Our portfolio

SFL is a property company that specialises in the prime commercial real estate market. In value terms, office properties make up 80% of our portfolio, retail units represent 19%, and residential units account for 1%. The aggregate revenue generated from the portfolio in 2014 was €151.5 million and the physical occupancy rate at the year-end was 87%.



1 LOUVRE SAINT-HONORÉ 2 #CLOUD.PARIS 3 WASHINGTON PLAZA 4 LE VAISSEAU 5 131 WAGRAM 6 HAUSSMANN SAINT-AUGUSTIN
7 RIVES DE SEINE 8 112 WAGRAM 9 GALERIE CHAMPS-ÉLYSÉES 10 90 CHAMPS-ÉLYSÉES 11 OZONE 12 CÉZANNE SAINT-HONORÉ
13 ÉDOUARD VII 14 IN/OUT 15 176 CHARLES-DE-GAULLE 16 96 IÉNA 17 6 HANOVRE 18 103 GRENELLE 19 CONDORCET

BREAKDOWN OF SURFACE AREA IN THE GROUP'S PORTFOLIO



Occupants' carbon footprint 2.6 times lower than the average for the greater Paris area

TYPES OF CLIENT

Law firms
Finance and asset management
Luxury and fashion
Consulting
Media and communication
Insurance
Property

ENERGY



WATER



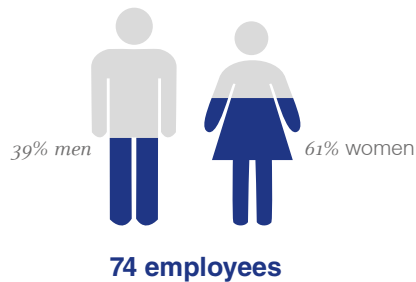
394,000 sq.m total surface area within the portfolio

Managed by SFL Surface area		Managed by the client Surface area	
176 CDG	7,400 sq.m	131 Wagram	9,200 sq.m
96 Iéna	8,900 sq.m	6 Hanovre	4,600 sq.m
Washington Plaza	47,100 sq.m	Le Vaisseau	6,300 sq.m
Galerie CE	8,700 sq.m	Hausmann	13,400 sq.m
Louvre St-Honoré	47,700 sq.m	St-Augustin	
Cézanne St-Honoré	29,000 sq.m		
112 Wagram	6,000 sq.m		
103 Grenelle	19,700 sq.m		
Rives de Seine	22,700 sq.m		
Édouard 7	54,100 sq.m		
Ozone	7,700 sq.m		
In Out	35,000 sq.m		
Under development Surface area		Acquisition Surface area	
#cloud.paris	33,200 sq.m	Condorcet	24,900 sq.m
90 Champs-Élysées	8,700 sq.m		

Properties with a park or garden (accessible to occupants) eligible for EcoJardin certification for responsible management of green spaces.

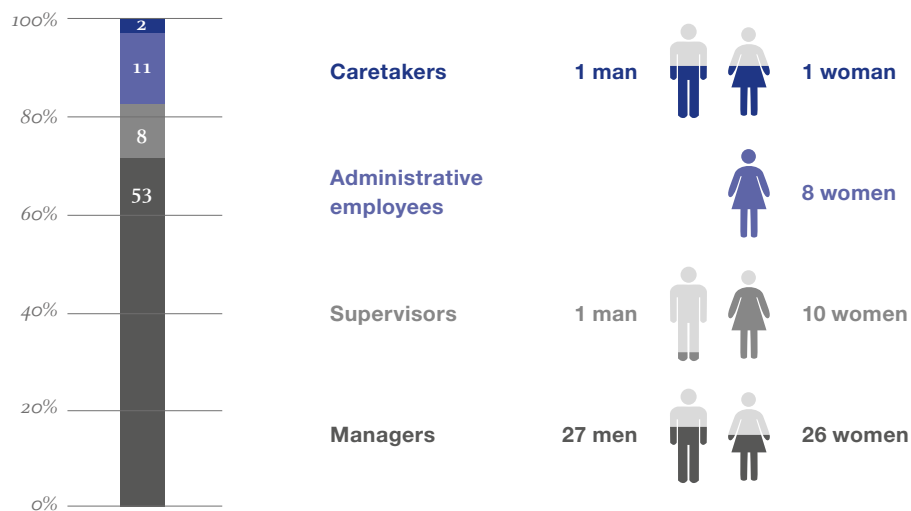
Our employees

SFL has 74 employees.



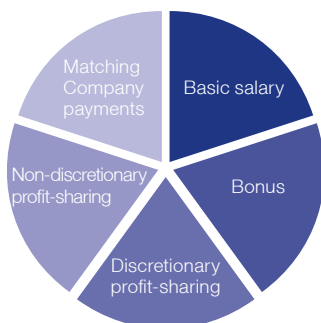
All of SFL's employees have permanent contracts apart from one student who has an apprenticeship contract. The Company uses temporary staff only on an occasional basis (three temporary contracts in 2014).

Over 17 hours of training were received per employee on average in 2014.

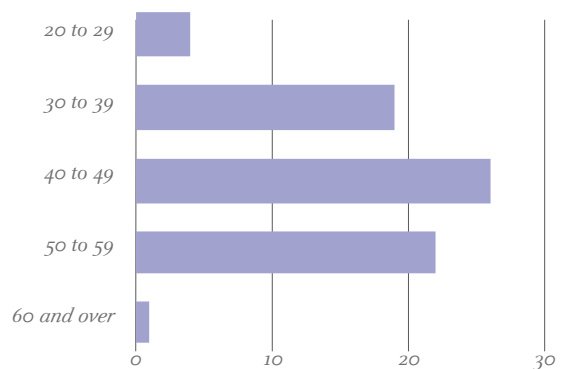


Average remuneration
(basic salary and bonus): €61,725 per employee

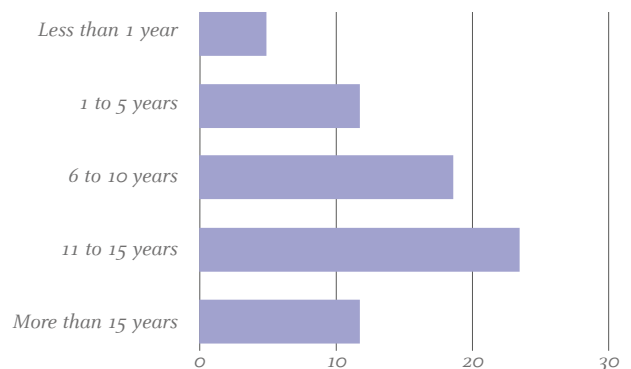
The Group has five different types of compensation:



WORKFORCE BY AGE GROUP



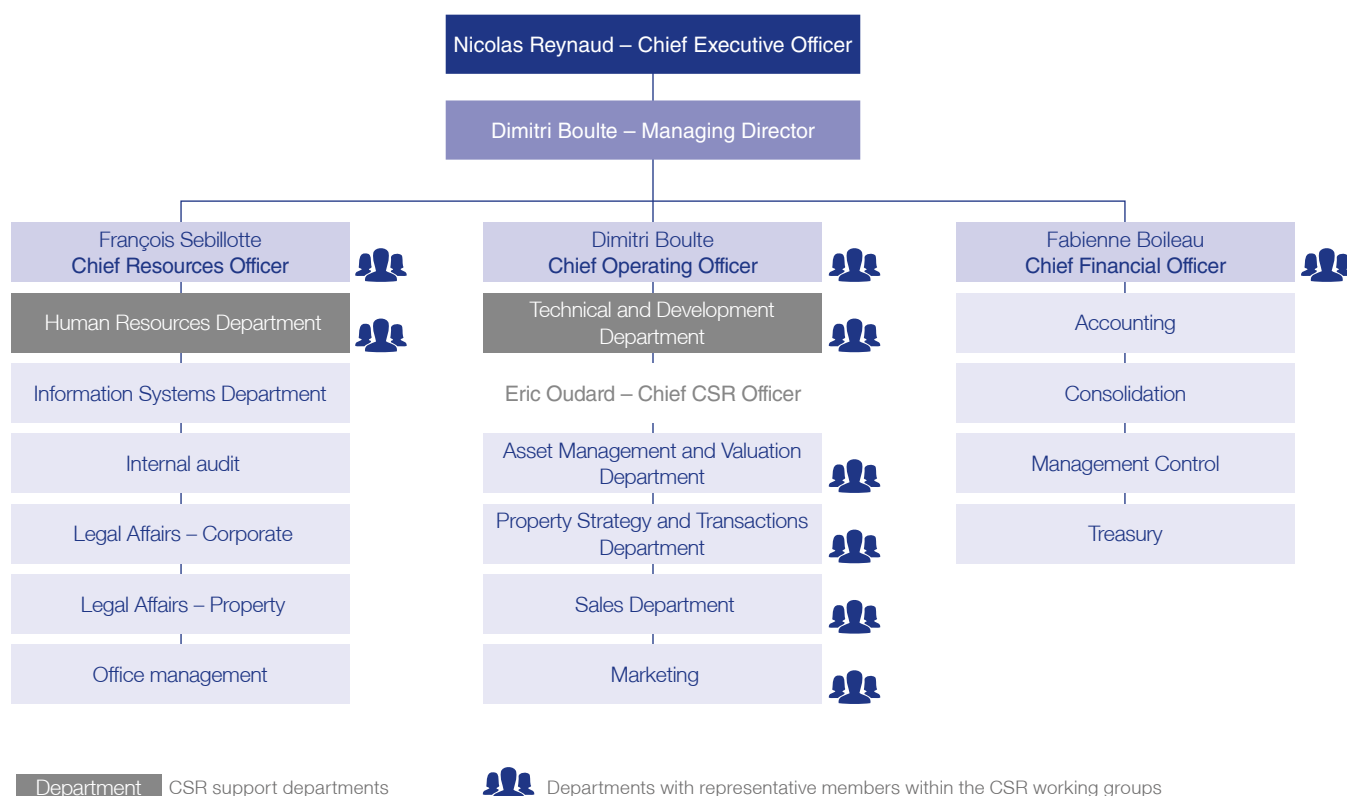
WORKFORCE BY SENIORITY



1. CSR organisational structure

SFL's organisational structure and the operating procedures of the Management Committee and Board of Directors are described in Section 3 of the Registration Document.

We integrate CSR into our business activities on a cross-functional basis. We have a CSR Department, which is headed by Eric Oudard, SFL's Technical and Development Director, and CSR working groups have been set up, in which the Company's other departments participate, to draft this CSR report.



The working groups met in 2014 to work on the materiality of our CSR priorities and on the overall CSR policy. These groups provided invaluable feedback from an operations standpoint and made a significant contribution to the drafting of this report.

2. Our CSR priorities

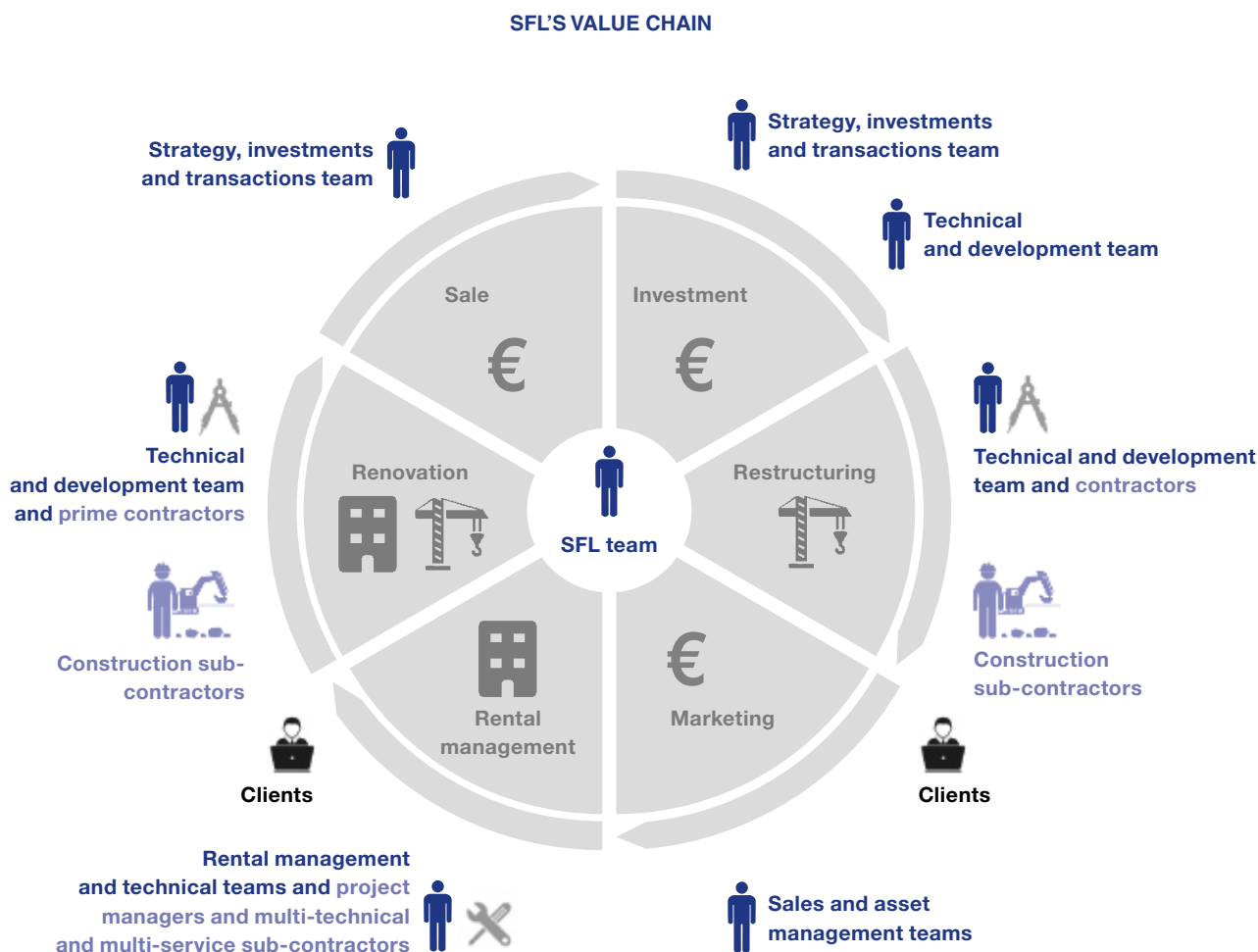
Our CSR priorities were identified and their materiality analysed using an analytical process that consisted of:

- Mapping SFL's value chain and identifying the CSR priorities at each of its stages.
- Analysing best practices within the industry and the market's CSR expectations.
- Grouping and structuring the 15 identified priorities into four key areas.
- Precisely defining the CSR priorities (including a description, drivers, risks and opportunities and existing initiatives) in order to allocate them a score plotted on the "business" axis of the CSR priorities map (by reference to the seriousness of the risks inherent in the priorities and the probability of the related risks and opportunities occurring).
- Identifying stakeholders and their expectations based on detailed documentation and the experience of operations staff in order to estimate the priority level of each expectation (using a score plotted on the "stakeholder" axis of the CSR priorities map).

All of these different stages of the analytical process are described below.

2.1. CSR priorities within SFL's value chain

The mapping process for SFL's value chain enabled us to determine our CSR priorities and the various players that can have an impact on those priorities. Six phases of a property asset's life cycle were identified, starting from investment and ending with sale. Not all of our assets systematically go through each phase and in many cases there are overlaps. For example, a property may be redeveloped immediately after a long period of rental, or buildings are often let after being renovated rather than necessarily being sold.



Management of CSR priorities

SFL: Directly managed by SFL ■ Partners: Indirectly managed by SFL ■ Partners: Indirectly managed by SFL ■

The table below shows the various players that can contribute to achieving our CSR priorities. For example, using buildings sustainably during their lease term is the responsibility of SFL, its partners and its clients.

Phase	Principal players	CSR priorities
Investment	SFL's strategy, investments and transactions team	<ul style="list-style-type: none"> • Location and access • Local urban footprint
	Technical and development team	<ul style="list-style-type: none"> • Managing environmental risks
Restructuration	Technical and development team and contractors	<ul style="list-style-type: none"> • Comfort, fittings and organizational efficiency • Certification • Factoring CSR into investment decisions (eco-design) • Carbon efficiency and biodiversity • Sustainable procurement
	Construction sub-contractors	<ul style="list-style-type: none"> • Local urban footprint • Health, safety and risk management
Marketing	Sales and asset management teams	<ul style="list-style-type: none"> • Client relations and satisfaction • Governance and ethics
	Client	–
Rental management	Rental management and technical teams and project managers and multi-technical and multi-service sub-contractors	<ul style="list-style-type: none"> • Certification • Carbon efficiency and biodiversity • Sustainable operation (in terms of energy, water and waste) • Sustainable procurement
	Client	<ul style="list-style-type: none"> • Sustainable operation (in terms of energy, water and waste) • Certification
Renovation	<i>Idem – Restructuring</i>	
Sale	SFL's strategy, investments and transactions team	

2.2. Definition of CSR priorities and related risks and opportunities

The CSR priorities identified within the value chain have been structured into the following four key areas:

Creating value for property users	Building a sustainable portfolio	Attracting talent and building employee motivation and loyalty	Governance, ethics and society
<ul style="list-style-type: none"> • Location and access • Client relations and satisfaction • Certification • Comfort, layout and organisational efficiency 	<ul style="list-style-type: none"> • Sustainable building management • Carbon efficiency • Factoring CSR into investment decisions (CAPEX) • Biodiversity • Health and safety and environmental risk management 	<ul style="list-style-type: none"> • Attracting talent and developing skill sets • Health, safety and quality of life in the workplace • Diversity and equal opportunities 	<ul style="list-style-type: none"> • Governance and ethics • Sustainable procurement and supplier relations • Local urban footprint

Description of CSR priorities related to “Creating value for property users”:

Location and access: This priority focuses on the daily commute by the occupants of SFL buildings from home to the workplace and journeys from the workplace to business partners’ premises, both in terms of distance travelled and transport facilities (underground, bus, municipal bicycle- and car-sharing stations, electric vehicle charging points and car pooling). It also covers the issue of the urban mix.

Client relations and satisfaction: This priority concerns SFL’s ability to meet clients’ expectations and ensure their satisfaction. It also entails entering into medium-term agreements with tenants on CSR-related issues so that they strive to reach the same goals as us.

Certification: Obtaining certifications for properties.

Comfort, layout and organisational efficiency: This priority is aimed at creating value for users by ensuring that our properties provide optimal comfort and efficient layouts as well as a safe and healthy working environment (natural light, acoustic comfort, indoor air quality, optimised use of space and traffic flows, disabled access, services for occupants, etc.).

All of these factors have a direct effect on occupants’ well-being and provide benefits in terms of creativity and organisational efficiency for clients.

Description of CSR priorities related to “Building a sustainable portfolio”:

Sustainable building management: This involves optimising energy and water use and effectively managing waste generated from operations.

Carbon efficiency: Reducing emissions of greenhouse gases (GHGs) from properties (energy efficiency, optimising the energy mix and minimising leaks of coolants).

Factoring CSR into investment decisions (CAPEX): Optimising the social and environmental impacts related to CAPEX incurred during renovation and redevelopment projects with a view to enhancing the property’s overall CSR performance throughout its life cycle.

Biodiversity: Avoiding excessive urbanisation and integrating biodiversity into SFL properties.

Health and safety and environmental risk management: Managing regulatory and physical risks that could affect the health and safety of occupants.

Description of CSR priorities related to “Attracting talent and building employee motivation and loyalty”:

Attracting talent and developing skill sets: This priority is about attracting and retaining talent and developing employees’ skill sets, notably to keep up their expertise, enhance their employability and reinforce their sense of trust and commitment in an operating environment characterised by rapid changes in regulations, standards and industry practices.

Health, safety and quality of life in the workplace: This priority concerns the Group’s workplace health and safety policy and enhancing the quality of working life for SFL employees.

Diversity and equal opportunities: Combatting all forms of discrimination in accordance with the principles of human rights.

Description of CSR priorities related to “Governance, ethics and society”:

Governance and ethics: Respecting the principles of good corporate governance and business ethics, which involves demonstrating the Group’s ability to put in place robust control systems and processes to prevent any unfair or illegal business practices. This priority is very closely linked to governance and ethics risks.

Sustainable procurement and supplier relations: This priority involves integrating CSR criteria into procurement policies in order to ensure that the practices of major suppliers are in line with the Group’s CSR policy. It also covers payment terms and creating stable relations with suppliers.

Local urban footprint: This priority concerns SFL’s ability to design and operate property assets that meet the needs of society such as modern architectural design or effectively blending sites into the urban environment. It also involves ensuring that disamenities for neighbours are minimised during renovation and redevelopment works.

Detailed descriptions of each CSR priority were drawn up as part of the materiality analysis, and the related risks and opportunities were identified so that each priority could be given a score plotted on the “business” axis of the overall CSR priorities map.

The main risks identified are as follows:

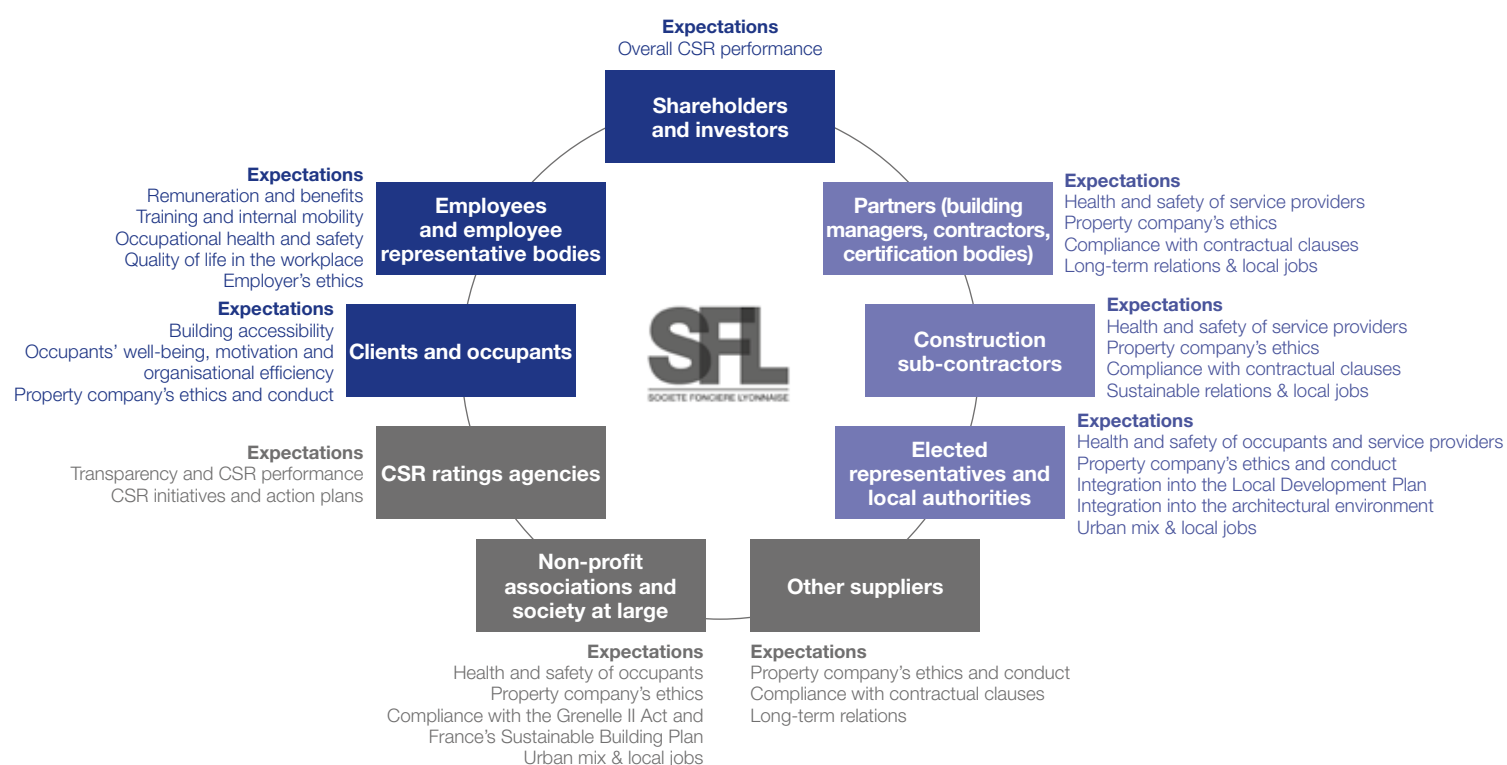
- Risk of potential additional costs, e.g. if property is viewed as obsolete or is not sufficiently energy efficient, or if neighbouring residents file complaints, etc.
- Risk of criminal sanctions if suppliers have non-declared workers.
- Risk of delays in obtaining permits or authorisations (due to biodiversity issues, local urban impact, etc.).
- Human resources risk – attracting talent, obsolete skills etc.
- Risk that SFL’s CSR performance will decline if tenants do not appropriate CSR objectives.

The main opportunities identified are:

- Opportunity to attract and satisfy clients (location, services, effective planning of renovations, etc.).
- Opportunity to increase rental values and the portfolio value.
- Opportunity to innovate in terms of client relations (“green” leases, etc.).
- Opportunity to build the trust of shareholders, clients, the public authorities and investors.

2.3. SFL's stakeholders and their CSR expectations

SFL's identified stakeholders have been classified into three categories based on the extent of their direct or indirect impact on the Company's operations. The stakeholders' main expectations have also been identified.

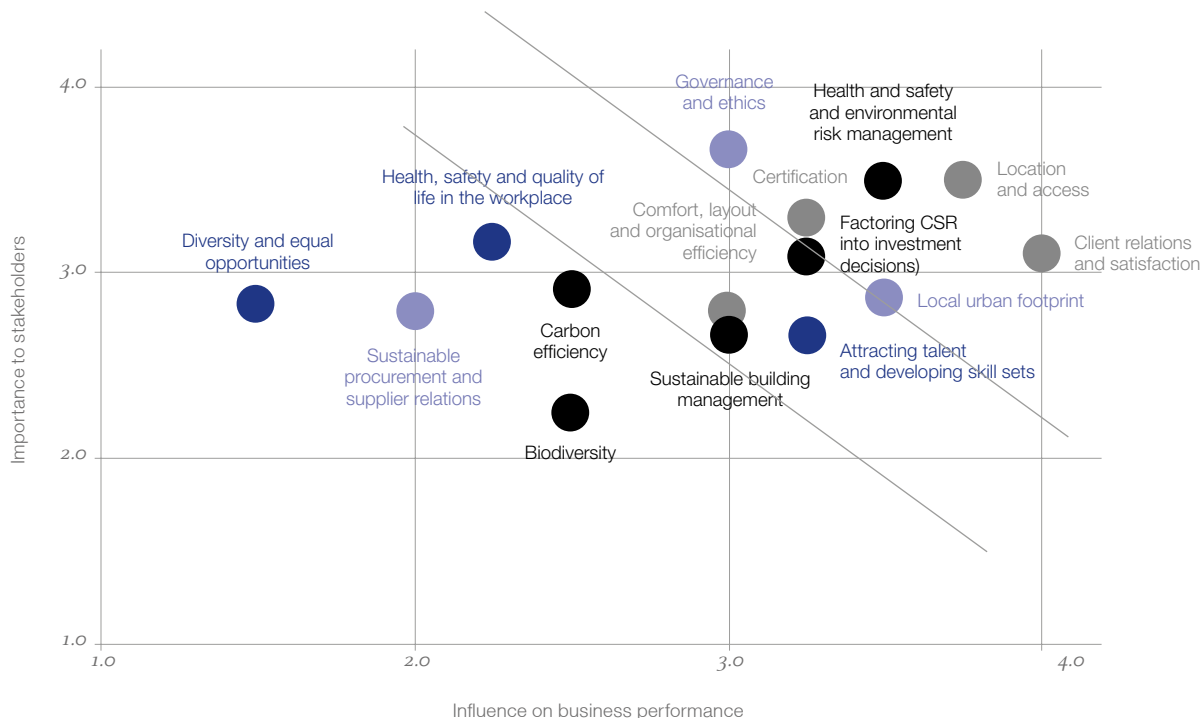


- Stakeholders with a significant direct impact on the Group's revenue and business
- Stakeholders with a significant indirect impact on the Group's revenue and business
- Stakeholders with a moderate indirect impact on the Group's revenue and business

Stakeholders	Communication methods	Frequency
Clients and occupants	Dialogue with the property manager (SFL contact) Satisfaction survey	Continuous Every two years
Employees and employee representative bodies	Information and consultation processes with employee representative bodies	Monthly
Shareholders and investors	Board of Directors Investors' road show Annual General Meeting	Monthly
Partners (building managers, contractors, certification bodies)	Technical specifications and dialogue with operations and asset management teams	Weekly
Construction sub-contractors and project partners	Technical specifications and dialogue with teams from the Technical and Development Department Meetings with project managers	Weekly
Elected representatives and local authorities	Consultation with local elected representatives during the planning phase of projects (administrative authorisations)	As required
Other suppliers	Contracts	As required
Non-profit associations and society at large	Neighbourhood meetings	Quarterly
CSR ratings agencies	Media and communication documents (management report, CSR report, website, etc.)	Annually

2.4. The CSR priorities map

The following map of SFL's CSR priorities was drawn up based on the findings of the materiality analysis:



The above map classifies our CSR priorities into three different levels of materiality, as follows:

- The priorities that are above the first materiality threshold are classified as the “Five fundamental CSR priorities integrated into our core business” and include: Location and access, Client relations and satisfaction, Certification, Health and safety and environmental risk management, and Governance and ethics. These priorities form an intrinsic part of the Group's overall business strategy.
- The priorities in the intermediary level are classified as “Five major CSR priorities” and include: Comfort, layout and organisational efficiency, Sustainable building management, Factoring CSR into investment decisions, Local urban footprint and Attracting talent and developing skill sets. These priorities contribute to the Group's intangible value and relate to stakeholders' new expectations and new impacts on SFL's business.

- Lastly, the priorities ranked below the second materiality threshold are classified as “Five CSR priorities to monitor” and include: Carbon efficiency, Biodiversity, Health, safety and quality of life in the workplace, Diversity and equal opportunities, and Sustainable procurement and supplier relations. These priorities do not have a significant impact on the Group's business strategy in the short term but they need to be monitored as their materiality may change over time.

The carbon efficiency priority is primarily addressed through the Group's efforts to enhance its energy performance.

3. CSR policy and performance indicators

In 2014, SFL categorised the importance of its CSR priorities (materiality analysis), in accordance with (i) the applicable laws and international standards, (ii) the best practices set out in the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative, and (iii) the recommendations of the European Platform of Regulatory Authorities (EPRA). This materiality analysis was used as the basis for drawing up the Group's CSR policy and establishing the related objectives and action plans. It was performed in conjunction with the four working groups set up during the year – each tasked with reviewing a particular area – as well as the Management Committee and the Chief Executive Officer.

The Group's CSR policy is structured around the three different categories of CSR priorities identified as a result of the materiality analysis:

- The five fundamental CSR priorities integrated into our core business.
- The five major CSR priorities.
- The five CSR priorities to monitor

The policy includes objectives and action plans (existing or scheduled) for these 15 priorities, applicable between now and 2017.

3.1. Key performance indicators

The Group's key performance indicators (KPIs) are presented in the table below. The action plans for each priority are described in the rest of this report.

Fundamental CSR priorities integrated into our core business	2014	Objective	Target timeframe
Location and access			
% of properties located less than ten minutes walking distance from an underground/tram station	100%	100%	Continuous
Client relations and satisfaction			
% of satisfied clients (satisfied or very satisfied)	82%	> 80%	Continuous
% of "green" leases	51%	100%	Continuous
Certification			
% of buildings in use certified BREEAM In-Use	100%	100%	Continuous
% of BREEAM In-Use certifications with a Very Good or higher rating (Parts 1, 2 and 3 combined)	90%	100%	2017
Redevelopment projects aimed at achieving triple certification	100%	100%	Continuous
Major CSR priorities			
Sustainable building management (in terms of energy, water and waste management)			
Energy use per sq.m of buildings managed by SFL (based on 2011 scope as adjusted for climate impacts) in kWh/sq.m/year	257	238	2017
Water use per sq.m of the property portfolio (based on 2011 scope) in cu.m/sq.m/year	0.55	0.54	2017
CSR priorities to monitor			
Carbon efficiency			
GHG emissions per sq.m of buildings managed by SFL based on 2011 scope as adjusted for climate impacts) in kg of CO ₂ equivalent/sq.m/year	23.4	21.8	2017

3.2. Standards, rating agencies and industry bodies

SFL ensures that its reporting processes and CSR performance take into account industry practices and are recognised by valuers. For example, we strictly comply with the regulatory requirements provided for in the Grenelle II Act and apply the recommendations issued by the Global Reporting Initiative (G4 Sustainability Reporting Guidelines) and the European Platform of Regulatory Authorities (EPRA). In addition, the Company provides information to rating agencies for CSR audits (Vigeo Rating) as well as for benchmarking purposes (GRESB).

G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI 4)

SFL applies the guidelines issued by the GRI (core option), and in 2014 it updated its CSR reporting to incorporate the latest version of the guidelines (GRI 4). The main work carried out during the year in relation to these guidelines involved applying the materiality principle, identifying stakeholders' expectations and drawing up the overall CSR policy. The standard disclosures referred to in GRI G4 which SFL considers to be material are as follows: "Transport" (corresponding to our "Location and access" priority).

- "Product and Service Labeling" (corresponding to our "Client relations and satisfaction" and "Certification" priorities).
- "Customer Health and Safety" (corresponding to our "Health and safety and environmental risk management" priority).
- "Anti-corruption", "Public Policy", "Anti-competitive Behaviour" and "Compliance" (corresponding to our "Governance and ethics" priority).

SFL's compliance with GRI G4 is presented in table form in the appendices to this report on pages 81 to 84 of the management report.

The Grenelle II Act

SFL complies with the applicable French laws and regulations related to CSR, including the implementing decree for Article 225 of the Grenelle II Act. A cross-reference table between the decree and this report is provided in the appendices to this report on pages 77 and 78 of the management report.

European Platform of Regulatory Authorities (EPRA)

SFL also complies with the recommendations issued by EPRA for its CSR reporting. A cross-reference table between said recommendations and this report is provided in the appendices to this report on page 79.

GRESB (Global Real Estate Sustainability Benchmark)

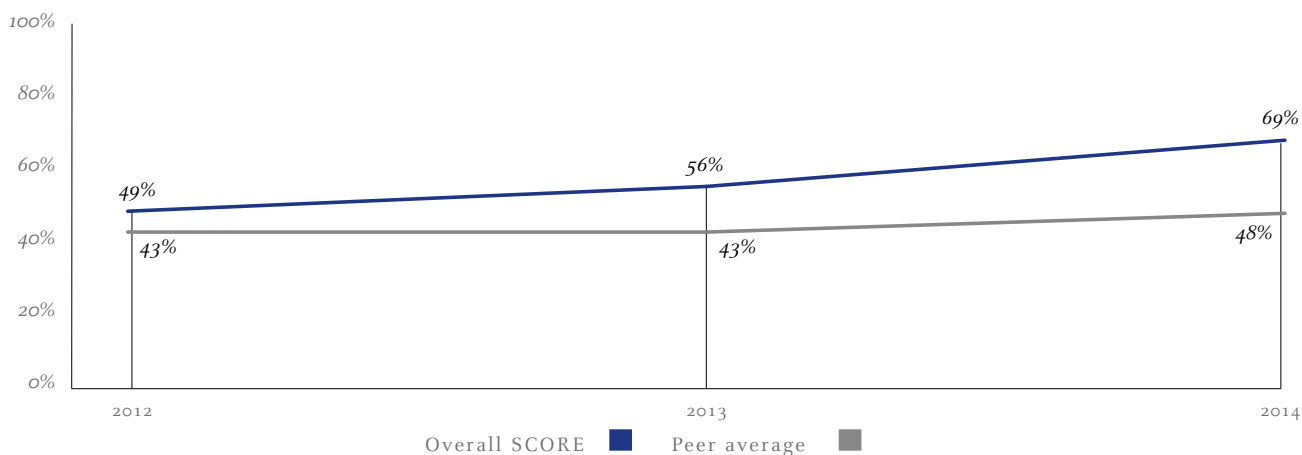
SFL takes part in the annual sustainability performance survey carried out by the private organisation, GRESB, which evaluates the CSR strategies and performances of major property companies and real estate investment funds across the world.

SFL first responded to the GRESB survey in 2012 and its ranking – which has always been above the average of its peers – has risen steadily since that date. In 2014, SFL ranked second among the office property companies that took part in the survey.

According to the GRESB report, SFL scored particularly well for:

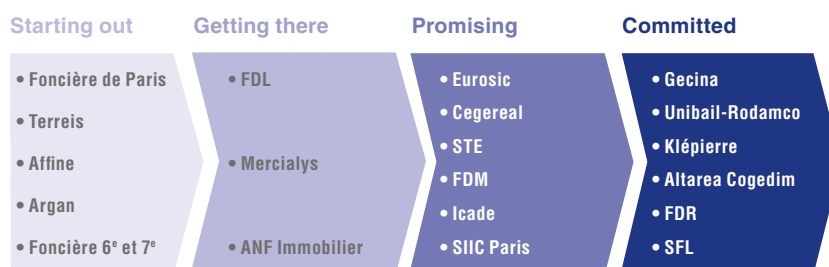
- Policy & Disclosure.
- Performance Indicators.
- Building Certifications.
- Stakeholder Engagement.

GRESB SCORE – SFL VS. ITS PEERS



Novethic

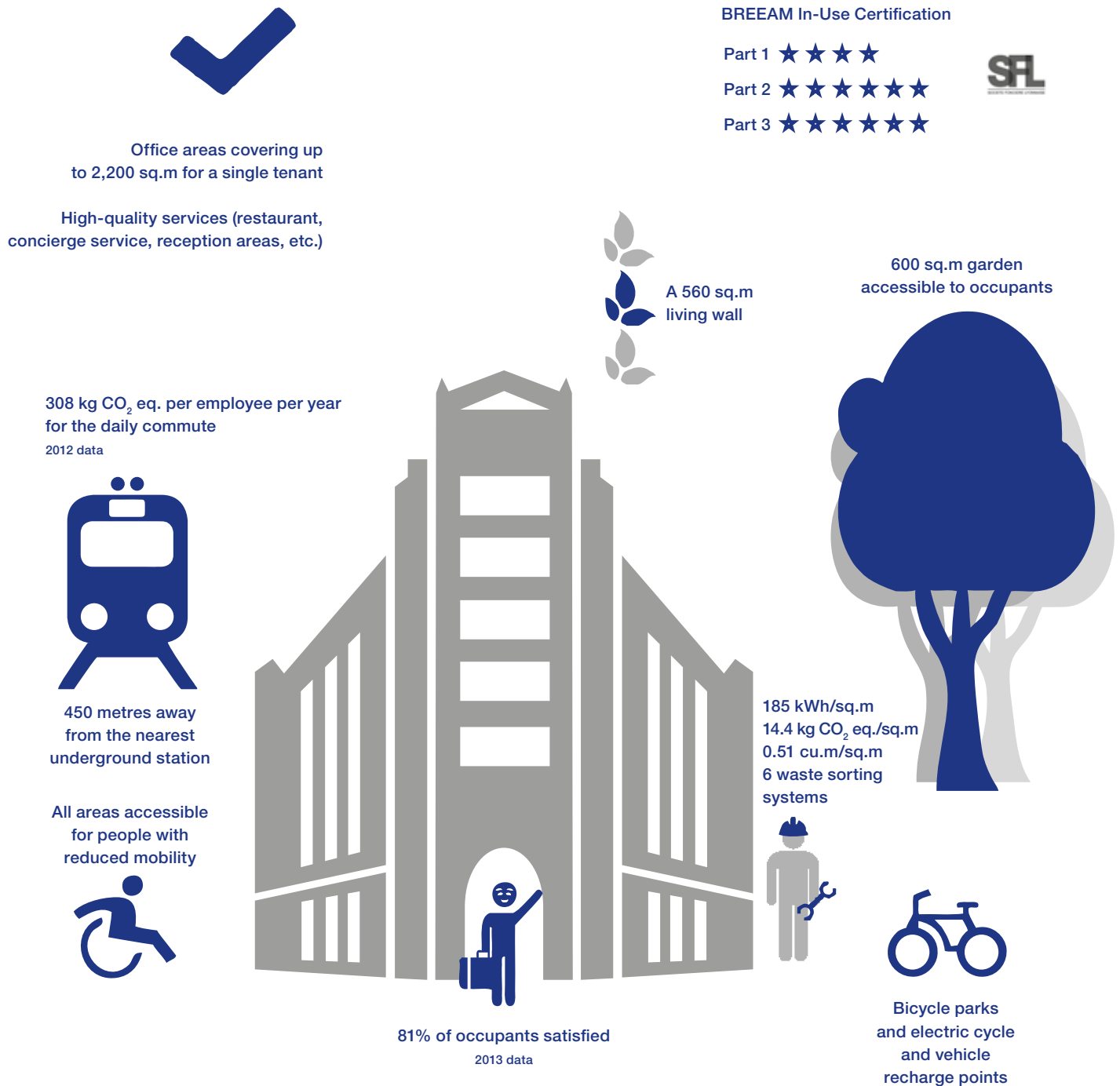
Novethic is a French research centre specialised in responsible investing and since 2010 it has published a ranking of the environmental performance of French property companies. In 2014 Novethic ranked SFL as one of the six companies in the industry that are the most committed to environmental reporting (out of a panel of the 20 largest listed property companies in France).



Results of the Novethic 2014 survey on the environmental reporting of France's main listed property companies.

3.3. SFL's head office – an R&D laboratory

The diagram below shows all of the CSR performance criteria at the Washington Plaza building where the Group's head office is based:



4. Creating value for property users

SFL has an ongoing reflection process in place concerning the way in which properties help to boost business performance as this issue is by definition qualitative and therefore difficult to assess. Below are a few of the main factors that are considered to create value for the users of office property.

4.1. Location and access

Definition: This priority focuses on employees' daily commute from home to the workplace and journeys from the workplace to business partners' premises. It also covers the urban environment, in particular shops and the urban mix.

It is an essential vector for client satisfaction and well-being and significantly contributes to creating value for users of SFL's property assets.

Materiality level 1

KPI: 100% of sites less than 10 minutes away from an underground/tram station (permanent objective: 100%).

KPI: 79% of the portfolio located in the Paris Central Business District.

KPI: GHG emissions caused by the daily commute of SFL property occupants are 2.6 times lower than the average in the greater Paris region.

According to a survey conducted in 2008 by INSEE (France's national statistics agency), a Parisian spends an average of 70 minutes per day in public transport (*Enquête Nationale des Transports et Déplacements*). And based on a workplace survey (*l'Observatoire Paris WorkPlace*) carried out by the market research firm, IFOP, in 2014, 70% of HR Directors consider that poor transport conditions adversely affect recruitment.

Location of property assets

With 79% of its property assets located in the Paris Central Business District, SFL is careful to ensure that its properties are located as close as possible to public transport links (see map in the section above entitled "Presentation of SFL").

As a specialist in prime business centres in Paris, SFL's intention is to strengthen its positioning by acquiring large buildings in established or up-and-coming business districts, which are well connected and easily accessible, in order to create property with high-quality architecture and excellent services.

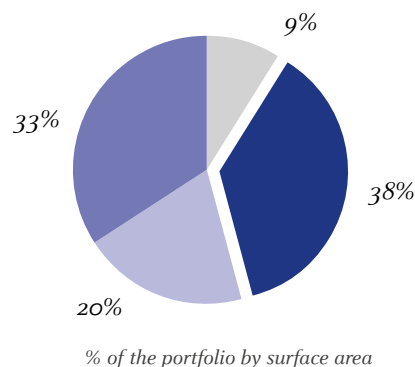
Easy transport links and a low carbon footprint for occupants' travel

SFL's long-standing strategy of ensuring its properties are located within easy access of public transport offers an array of benefits:

- Lower emissions caused by commuting and business journeys.
- Significant time savings (commuting and client-partner accessibility) for companies headquartered in our buildings.
- Well-being at work, because shorter commuting times reduce fatigue and stress.

91% of SFL's buildings are located less than 500 metres from an underground station and 33% are within 100 metres.

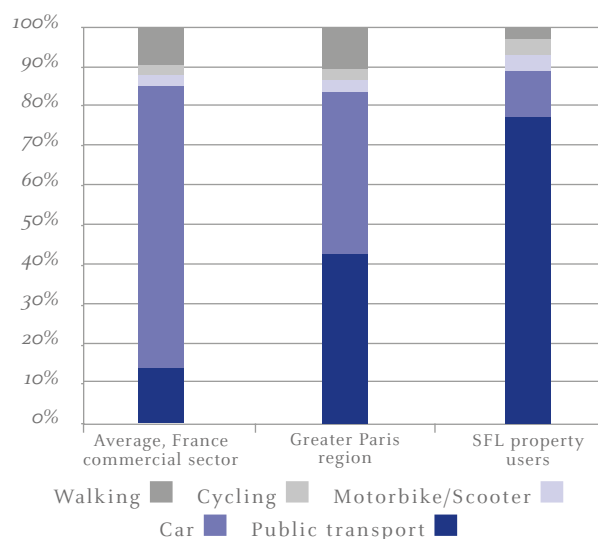
PROXIMITY TO PUBLIC TRANSPORT



More than 500 metres 9% 101 to 250 metres 20% 251 to 500 metres 33% Less than 100 metres 38%

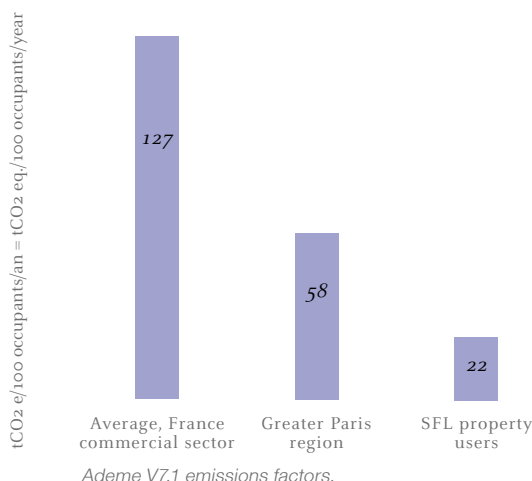
The proximity of SFL's properties to public transport reduces GHG emissions resulting from occupants' commutes and journeys to business partners.

MEANS OF TRANSPORT USED FOR COMMUTING



French government statistics (INSEE) – 2008 Transport Survey, average figures for France's commercial sector. Data published by the transport operator STIF (Greater Paris region, 2010 Transport Survey). SFL satisfaction survey, 2013.

COMMUTING CARBON FOOTPRINT



In the satisfaction surveys it regularly carries out, SFL asks the users of its properties how they get to work. A total of 74% of the Group's office property users commute by public transport every day and only 11% travel to work by car.

Commuting by bicycle or on foot is carbon neutral and the most pollutant means of travel is by car.

This high level of public transport use results in lower GHG emissions. The occupants of SFL buildings emit 2.6 times fewer GHGs through their daily commute than the average employee working in the greater Paris region.

SFL intends to remain below this regional average by developing solutions to encourage car pooling and the use of electric vehicles and bicycles.

The urban mix

SFL's office buildings are generally located in central areas that mix business, entertainment, residential and cultural premises. The urban mix in this context means the facilities and amenities available in the area around a building. The attractiveness of the immediate surroundings is a determining factor in a client's decision to lease one of our properties.

We have put in place a web-based solution for occupants (*ServicesbySFL* – www.servicesbySFL.com) that provides information on the amenities and transport links available around their workplace (for further details see the section below on "Comfort, layout and organisational efficiency").

4.2. Client relations and satisfaction

Definition: SFL has created a formal system for obtaining feedback from clients so that it can meet their expectations and ensure their satisfaction. Our objective is to enter into agreements on CSR issues with our tenants in the medium term so they can partner us in our CSR performance.

Client satisfaction is closely linked to the key area of creating value for property users.

Materiality level 1

KPI: 82% of our clients are satisfied or very satisfied with their building (permanent objective: >80%).

KPI: 51% are green leases (permanent objective: 100%).

We have a portfolio of high value-added clients operating in a wide range of industries. All of our clients are leaders in their markets or industries and they intend to maintain their positions by drawing on their internal resources, recruiting the best talent, ensuring proximity to their stakeholders and decision-making centres, and offering their teams an optimal working environment that encourages creativity and knowledge-sharing.

OUR EIGHT MAIN TYPES OF CLIENT



Client relations and satisfaction

In 2013, we conducted a survey on "Value for users of commercial property", in partnership with the City of Paris and the consultancy firm Quartier Libre.

This survey went beyond the purely financial aspect of cost per square metre in order to determine how workspaces can contribute to team performance and how property can be considered to be an investment that generates benefits (employee comfort and well-being, reducing time spent on personal and business travel, projecting a strong image both within and outside the company, etc.).

It was unbiased and its objective was to serve as a decision-making aid, taking into account all of the related positive and negative factors depending on the profile of the company concerned.

The survey identified three drivers for value creation:

- **Driver 1: Maximising productivity.** Location – which is essential for accessibility and client proximity – is a powerful driver of commercial and organisational efficiency.
- **Driver 2: Well-being at work.** The working environment should be thought of as a source of well-being for employees and therefore as a business performance driver. Comfortable offices that are well located in an area with high-quality amenities can be a competitive strength from a managerial standpoint.
- **Driver 3: Organisational efficiency.** In order to encourage innovation and creativity, an office needs to be three different things at once: (i) an open office, where people are inspired and can meet, listen to each other and communicate, (ii) a slow office, where people can express themselves, think, create and concentrate, and (iii) a social office, i.e. a living space where people can get together and co-operate with each other.

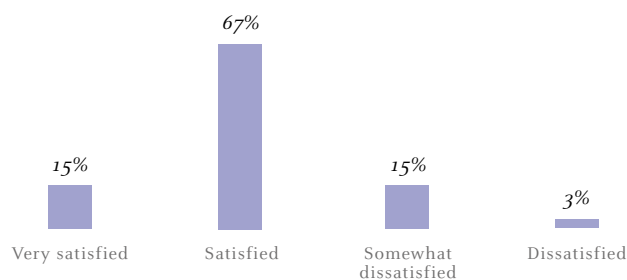
The survey showed that the importance placed on the workspace depends on the type of company. Some are strongly committed to leveraging the intangible aspects of their workspaces, which can drive employee performance and ultimately impact productivity.

Drawing on the results of the survey, SFL has focused its efforts on these three drivers in order to create greater value for its property users and therefore ensure their satisfaction.

Client satisfaction surveys are carried out among our building occupants every two years and they help us gain a better knowledge of our clients, measure their satisfaction, and assess their expectations in terms of the offices and services provided. The results of these surveys give us a database that is vital for tracking and anticipating client needs and adapting and designing properties that meet their expectations.

- **Client profile:** The occupants of our buildings have a balanced gender profile, with 48% men and 52% women, and include a very high proportion of executives and managers (80%). Almost 80% have shared workspace (49% working in open space offices and 28% in shared offices).
- **Client satisfaction:** 82% of people working in our properties are satisfied or very satisfied with the premises in which they work. The three main factors underpinning this high satisfaction rate are location, workspace quality and architectural design.

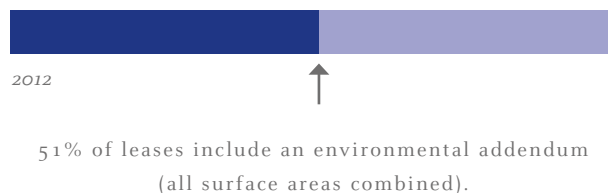
OVERALL SATISFACTION RATES FOR OUR BUILDINGS



Green leases

The Grenelle II Act, which was adopted in France in 2010, provides for energy use in buildings to be reduced by 38% by 2020, which has led to the emergence of green leases (or an environmental addendum signed by the lessor and the tenant). As well as being a way of enhancing the energy and environmental performance of buildings, these leases are an opportunity to open up dialogue about CSR issues between lessors and tenants.

Consequently, extremely early on we decided to include questions in our client satisfaction survey to assess our clients' level of CSR engagement. The results of the most recent survey show that only 27% of the companies surveyed publish a CSR report and 68% have an internal sustainability policy including a commitment to continuously improving their CSR performance.



For each green lease entered into, a green committee is usually set up, which meets on an annual basis. During the meetings the lessor and tenants analyse and discuss the building's environmental performance and determine (or where necessary adjust) the objectives and methods for optimising energy and water use from one year to the next.

User guide

We publish building guides for users, which provide a wealth of information on the building they work in and how it operates. Topics covered include the history of the building, business hours, accessibility (pedestrians, public transport, access for 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.
- Virtuous travel (Velib' bicycle sharing and public transport).



User guides are available for 75% of the buildings managed by SFL.

These guides meet a dual objective:

- They round out our prime offering by providing exhaustive information to clients about the building.
- They meet environmental certification requirements.

4.3. Certification

Although sustainable building design is sometimes viewed as a constraint it can in fact be extremely strategic for the property's value, as the extent to which a building meets regulatory, operational and communication requirements can have a direct effect on the value created for the property's tenant.

In our client satisfaction survey, 67% of respondents said that it was important that their building had an environmental certification as this made them feel they were actively contributing to environmental protection.

Definition: This priority concerns SFL's certification strategy (BREEAM Construction for renovation works and BREEAM In-Use for buildings in use).

Materiality level 1

KPI: 100% of SFL's buildings in use are certified BREEAM In-Use (objective for 2017: 100%).

KPI: 90% of BREEAM In-Use certifications with a Very Good or higher rating (Parts 1, 2 and 3 combined) (objective for 2017: 100%).

KPI: 100% of redevelopment projects aimed at achieving at least one BREEAM certification (permanent objective: 100%).

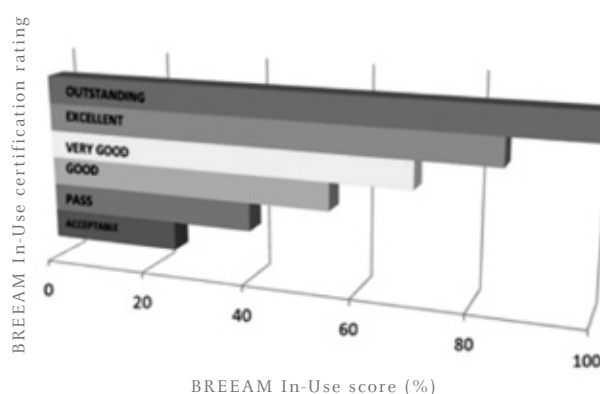
We began our certification campaign in 2012 and have chosen BREEAM Construction certification (Building Research Establishment Environmental Assessment Methodology) for buildings undergoing redevelopment or renovation and BREEAM In-Use International (BIU) for buildings in use.

We have already achieved the objective we set ourselves of obtaining certification for all of our buildings in use. BREEAM certification provides an overall "building" rating based on a site visit by an auditor and an assessment of the criteria for each sustainability category (energy, water, waste, materials, pollution, transport, biodiversity, health and safety, and management).

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).
- Part 2: Building Management (the quality of the building's management and operation).
- Part 3: Occupier's Management (the tenant's organisational efficiency and procedures and practices).

THE BREEAM IN-USE RATING SYSTEM



The BREEAM In-Use rating system:

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

★★★★★
★★★★☆
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★★★☆☆

The table below shows the BIU certifications for SFL's buildings in use:

Immeubles	Score BREEAM In-Use 2013				Score BREEAM In-Use - INTERNATIONAL 2014				Ambition
6 Hanovre	24/12/2013	Part 1 Asset Rating	Pass (32%)	★★	22/01/2015	Part 1 Asset Rating	Very Good (56%)	★★★★	Very Good ★★★★★
Ozone	10/07/2013	Part 1 Asset Rating	Good (51%)	★★★	21/07/2014	Part 1 Asset rating	Very Good (65%)	★★★★	Very Good ★★★★★
96 Iéna	08/08/2013	Part 1 Asset Rating	Good (42%)	★★★	17/07/2014	Part 1 Asset rating	Good (50%)	★★★	Very Good ★★★★★
		Part 2 Building Mgt	Pass (31%)	★★		Part 2 Building Mgt	Very Good (67%)	★★★★	Very Good ★★★★★
103 Grenelle	05/12/2012	Part 1 Asset rating	Good (47%)	★★★	13/02/2014	Part 1 Asset rating	Very Good (62%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Good (43%)	★★★		Part 2 Building Mgt	Excellent (70%)	★★★★★	Excellent ★★★★★
104-110 Boulevard Haussmann	08/07/2013	Part 1 Asset Rating	Good (47%)	★★★	17/07/2014	Part 1 Asset Rating	Very Good (60%)	★★★★	Very Good ★★★★★
112 Wagram	03/09/2013	Part 1 Asset Rating	Good (42%)	★★★	03/11/2014	Part 1 Asset Rating	Excellent (72%)	★★★★★	Excellent ★★★★★
		Part 2 Building Mgt	Good (43%)	★★★		Part 2 Building Mgt	Excellent (83%)	★★★★★	Excellent ★★★★★
131 Wagram	24/07/2013	Part 1 Asset Rating	Good (45%)	★★★	16/07/2014	Part 1 Asset Rating	Good (49%)	★★★	Very Good ★★★★★
176 Charles-de-Gaulle	26/07/2013	Part 1 Asset Rating	Good (42%)	★★★	05/08/2014	Part 1 Asset rating	Good (50%)	★★★	Very Good ★★★★★
		Part 2 Building Mgt	Pass (39%)	★★		Part 2 Building Mgt	Very Good (69%)	★★★★	Very Good ★★★★★
Édouard VII	19/09/2013	Part 1 Asset Rating	Good (41%)	★★★	03/11/2014	Part 1 Asset rating	Very Good (62%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Pass (32%)	★★		Part 2 Building Mgt	Excellent (85%)	★★★★★	Excellent ★★★★★
Galerie des Champs-Élysées	24/07/2013	Part 1 Asset Rating	Good (42%)	★★★	21/07/2014	Part 1 Asset rating	Very Good (68%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Good (48%)	★★★		Part 2 Building Mgt	Very Good (65%)	★★★★	Very Good ★★★★★
Louvre Saint-Honoré	06/12/2012	Part 1 Asset Rating	Good (45%)	★★★	13/02/2014	Part 1 Asset Rating	Very Good (65%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Good (40%)	★★★		Part 2 Building Mgt	Very Good (68%)	★★★★	Very Good ★★★★★
Le Vaisseau	09/07/2013	Part 1 Asset Rating	Good (43%)	★★★	16/07/2014	Part 1 Asset Rating	Very Good (56%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Good (42%)	★★★		Part 2 Building Mgt	Excellent (76%)	★★★★★	Excellent ★★★★★
		Part 3 Occupier's Mgt	Good (53%)	★★★		Part 3 Occupier's Mgt	Very Good (59%)	★★★★	–
Cézanne Saint-Honoré	27/11/2012	Part 1 Asset Rating	Good (45%)	★★★	12/02/2014	Part 1 Asset Rating	Very Good (66%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Pass (32%)	★★		Part 2 Building Mgt	Very Good (62%)	★★★★	Very Good ★★★★★
Rives de Seine	03/09/2013	Part 1 Asset Rating	Good (40%)	★★★	03/11/2014	Part 1 Asset rating	Very Good (60%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Good (40%)	★★★		Part 2 Building Mgt	Excellent (79%)	★★★★★	Excellent ★★★★★
In Out					03/11/2014	Part 1 Asset Rating	Very Good (70%)	★★★★	Very Good ★★★★★
Washington Plaza	08/08/2013	Part 1 Asset Rating	Good (45%)	★★★	21/07/2014	Part 1 Asset Rating	Very Good (67%)	★★★★	Very Good ★★★★★
		Part 2 Building Mgt	Good (51%)	★★★		Part 2 Building Mgt	Outstanding (88%)	★★★★★	Outstanding ★★★★★
		Part 3 Occupier's Mgt	Very Good (69%)	★★★★		Part 3 Occupier's Mgt	Outstanding (85%)	★★★★★	Outstanding ★★★★★
Condorcet					08/10/2014	Part 1 Asset Rating	Very Good (61%)	★★★★	Very Good ★★★★★
						Part 2 Building Mgt	Excellent (72%)	★★★★★	Excellent ★★★★★

Pass ★★

Good ★★★

Very good ★★★★

Excellent ★★★★★

Outstanding ★★★★★★

New ambitions

After two years of dedicated work on the certification process, in 2014 we decided to go even further by adding an excellence objective to the BREEAM In-Use certification, namely to achieve 100% of BREEAM In-Use certifications with a Very Good or higher rating (Parts 1, 2 and 3 combined) by 2017.

BREEAM In-Use Part 3

One of the strengths of the BREEAM In-Use standard is Part 3 of the certification process entitled "Occupier's Management", which assesses best practices and responsible behaviour in terms of how offices are used. For buildings with multiple tenants, each tenant's use of the building can be certified independently from that of the other tenants. We intend to leverage this excellent resource in our relations with our tenants in order to encourage them to take on board the objectives of the process and obtain a maximum number of Part 3 certifications.

After being rated Outstanding, Washington Plaza won the Offices In-Use category at the BREEAM Awards 2015

SFL's head office at 42 rue Washington, 75008 Paris, France (Washington Plaza) is BIU International certified with extremely high ratings for all three parts of the standard, further demonstrating how we have got our CSR policy right.

In 2014, the British Research Establishment (BRE) – the body that delivers BREEAM and BREEAM In-Use certifications – placed Washington Plaza on the shortlist for the BREEAM Awards 2015, which recognise the highest-scoring buildings in each property category.

Asset: 67%
Very Good
★★★★☆☆

Buiding Management: 88%
Outstanding
★★★★★

Occupier Management: 85%
Outstanding
★★★★★



And the winner is.... Washington Plaza: Our head office building performed excellently, winning the first prize in the "BREEAM Offices In-Use" category. The judges were particularly impressed by our efforts to maximise the building's environmental performance and minimise its carbon footprint, as well as the way in which the green areas and shared spaces have been designed with a focus on both enhancing occupants' comfort and providing optimal working conditions.

Certification of development projects

Case study: Triple certification for #cloud.paris

Located in the heart of the 2nd arrondissement in Paris, #cloud.paris is a three-building complex within short walking distance from the stock exchange and opera house in the French capital's financial district. With a surface area of 32,000 sq.m the complex has undergone significant redevelopment work to create a unique working environment based on modern, flexible office space and prestigious services and amenities, such as a business centre, a concierge service, a restaurant, a panoramic terrace and fitness rooms...



With this project we are aiming to achieve high-level certification under the three major standards and are also seeking to obtain the following certifications:

- HQE Exceptionnel (with 10 high-performance targets out of 14)
- LEED Gold
- BREEAM Excellent

Label BBC Effnergie Rénovation (which is given to buildings that use 40% less energy than a regulatory benchmark)

Alternative transport means were a key priority in the building's redevelopment design and there are parking spaces for only 99 cars and 112 motorcycles whereas there are 250 spaces for bicycles. The complex is only a five-minute walk from four underground lines, seven Velib' bicycle-sharing stations, five Autolib' car-sharing stations and nine bus stops.

An ecological study was carried out as part of the design plan, which led to a 56% increase in the site's green areas compared with its previous configuration, and the type of greenery used was changed by introducing climbing plants, perennial shrubs and grasses. A rainwater harvesting system will be used to water these plants.

We are also aiming to obtain BREEAM Construction certification with a Good rating for the office complex at 90 Champs-Élysées. The file for this application is currently being reviewed by the BRE.

4.4. Comfort, layout and organisational efficiency

Definition: This priority concerns the value created for a building's users as a result of its layout and fittings (natural light, acoustic comfort, access for people with reduced mobility, etc.) as well as its healthful qualities (indoor air quality), the efficiency of its office space (optimisation of space, circulation of people, etc.), the services and amenities provided to users, and how the building facilitates team work. All of these factors have a direct effect on users' well being and provide benefits in terms of creativity and organisational efficiency.

This priority is a major driver for client satisfaction.

Materiality level 2

KPI: 56% of the office space within the portfolio has been renovated (or under renovation) over the past five years.

Occupants' well-being

We take particular care over the comfort, layout and organisational efficiency of the assets in our portfolio. To this end, we regularly renovate our buildings, and 56% of the office space in the portfolio has been renovated over the past five years.

We have set ourselves the objective of transforming our assets into properties that meet the specific needs of our prestigious clientele and contribute to their employees' well-being in the workplace. When we renovate and redevelop our properties, we pay special attention to factors that enhance quality of life and well-being, such as indoor air quality, acoustic comfort and natural light.

Case study of a building designed for the well-being of its occupants: #cloud.paris

As part of the #cloud.paris project we are creating exceptional volumes with highly flexible workspaces bathed in natural light and floors comprising open spaces of up to 3,000 sq.m. The main features intended to contribute to occupants' well-being are as follows:

- As much natural light as possible, which not only gives the building a modern feel but also increases its comfort and health benefits while contributing to biodiversity and energy performance.
- Large glazed areas (91% of the complex's facades are glazed).
- Larger sunken courtyards to bring more natural light into the offices and amenities areas.
- Radiant ceilings that use heating and cooling technologies to offer optimal thermal comfort.
- Healthy air quality thanks to an innovative filtering system and high-quality materials.


In addition, the space per occupant (10 sq.m minimum) has been optimised without affecting the complex's comfort.


At the same time there are more communal areas, which encourages social interaction, discussion and exchange, and even helps to increase concentration levels. One example is the e-lounge – an original, contemporary space in which people can either work or take a break.

Organisational efficiency

SFL designs modular, free-flowing and adaptable office spaces that can be fitted out in line with our clients' specifications. This highly flexible design ensures the best possible working environment.


Case study: Workspaces designed to enhance performance: In/Out


 Floors comprising some 4,300 sq.m of open office space


 An average of 10 sq.m of floor area per workstation

 6 m of grids


 Simple and flexible configuration

 2.8 m ceiling height

 Frame of 3 grids, 2 of which provide for openings

 Glazed landings, fire doors and compartments

 Total depth of 18 m

 15 to 45 cm of plenum space above the dropped ceiling



The building's surface area is optimised, with floors comprising some 4,300 sq.m of open office space. This means that work spaces can be made people-centric, based on a layout that is both easy and flexible.

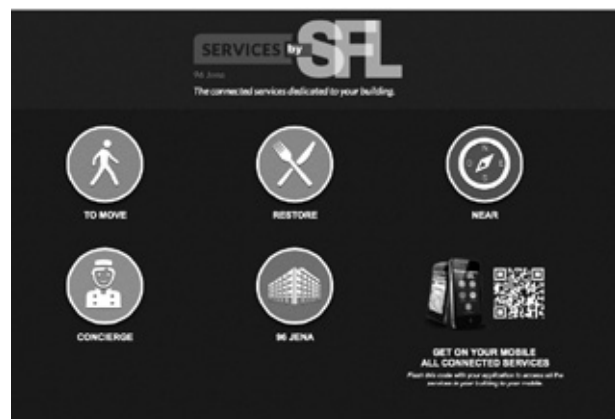
There are numerous configuration options, with shared or individual offices, and meeting rooms placed in the middle of the overall layout, designed in line with the tenant's corporate culture and specific needs.

Large open spaces optimise the circulation of people and encourage spontaneous encounters and therefore teamwork. Today's companies need to be able to adapt to new relationships between time and space in the workplace, with employees increasingly on the move and needing to be constantly connected. This is leading to more blurred boundaries between private and professional lives, and increased volatility for new generations, which in turn means that workspaces are becoming an ever-more important factor in creating value for companies and a vector for fostering loyalty among their people.

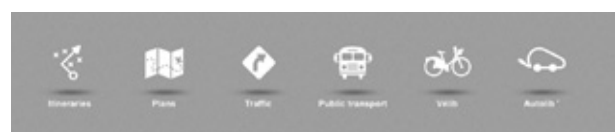
Support services – ServicesbySFL

As part of the support services we provide to our tenants we have set up a web-based solution called ServicesbySFL which gives information on amenities internal and external to our buildings.

This user-friendly application comprises five different sections and is aimed at helping people make the most of what is on offer in the neighbourhood in which they work.



The "Transport" section shows users all of the transport options for getting to their office building.



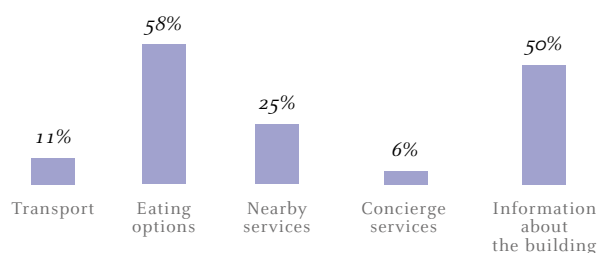
In the "Nearby services" section, users can see the majority of services and amenities available in the area.



Since its launch in April 2013, ServicesbySFL: has logged more than 270,000 pageviews and 12,600 unique visitors.

53% of our occupants are familiar with ServicesbySFL and they mainly use it for finding local restaurants and getting information about their building.

WHAT DO YOU USE SERVICESBYSFL FOR?



Source: SFL survey, 2013.

Accessibility for people with reduced mobility

Accessibility is a key factor in promoting employment for people with disabilities. It also helps employees to continue working if they become temporarily disabled following an accident or an illness.

Committed to offering exemplary services in this area, SFL has planned a programme of works to improve access to our buildings, which go above and beyond the statutory requirements in the French Labour Code (*Code du travail*).

The types of disability we intend to take into account in these works are:

- Reduced mobility
- Visual impairment
- Hearing impairment

The aim is to install special equipment and facilities so that people with disabilities can safely get around in our buildings as independently as possible, including access ramps, handrails, flashing and audio sirens, specially adapted areas that can accommodate suitable workstations, and lifts with braille call buttons.

KPI: Since 2010, all of SFL's major renovation and redevelopment projects have included access facilities for people with reduced mobility.

5. Building a sustainable portfolio

5.1. Sustainable building management

Definition: Operating buildings sustainably means optimising the use of energy and water as well as the management of waste generated through the building's use. This involves setting up a broad-based environmental management approach that includes improving systems for the building's operation/maintenance, installing individual utility meters, introducing building management systems, reducing leakages, optimising usage, reducing waste generation at source and optimising waste management, as well as training sub-contractors and raising awareness among tenants.

Materiality level 2

KPI: 257 kWh/sq.m in buildings managed by SFL. 2011 scope: 279 kWh/sq.m

Objective for 2017: 238 kWh/sq.m (-15%)

KPI: 0.55 cu.m/sq.m in buildings managed by SFL. 2011 scope: 0.67 cu.m/sq.m

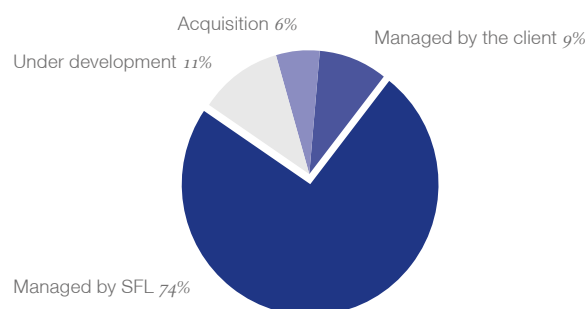
Objective for 2017: 0.54 cu.m/sq.m (-20%)

KPI: 40% of the properties in the portfolio now have a waste management reporting process

Objective for 2017: Extend the coverage of the waste management reporting process (paper and non-hazardous industrial waste).

In line with our commitment to achieving the objectives set in France's Sustainable Building Plan and the Grenelle II Act, we are aiming to reduce energy and water use in all of the buildings that we manage.

BREAKDOWN OF SURFACE AREA IN THE GROUP'S PORTFOLIO



Each of our properties has a "baseline year" corresponding to the year in which it entered the SFL scope of reporting. The objectives that we have set ourselves in relation to reducing energy and water use only take into account the eight buildings which have 2011 as their baseline year (in order to maintain a constant reporting scope). However, the scope of reporting changes from one year to the next and we currently monitor on a three-monthly basis the overall energy and water use of the 11 buildings we manage, and we track energy use every month.

The table below shows the baseline year for each of the buildings we manage:

Building	Baseline year
Louvre Saint-Honoré	2011
96 Iéna	2011
176 Charles de Gaulle	2011
Washington Plaza	2011
Édouard 7	2011
Rives de Seine	2011
Cézanne Saint-Honoré	2011
103 Grenelle	2011
112 Wagram	2012
Ozone - 92 Champs-Élysées	2013
Galerie Champs-Élysées	2013

We are also gradually extending our reporting system to include annually monitoring the energy use of buildings in use that are managed by clients themselves (single-tenant buildings).

By 2017 we intend to go even further by incorporating occupants' usage levels into our energy-reduction objectives. When energy-use data is not known, it is estimated by means of extrapolation and by taking into consideration the technical heating and air conditioning systems. In order to calculate usage ratios, we apply an occupancy coefficient to the building's unweighted usable area.

Energy

We have put in place two different types of initiatives with a view to reducing and optimising our energy use:

■ Group-wide initiatives

- Obtaining BREEAM In-Use or BREEAM Construction certification for all buildings.
- Earning additional certifications (HQE and LEED) for large-scale redevelopments.
- Integrating energy reduction requirements into the specifications of operators and building firms.
- Providing training and information on energy efficiency to operators and building firms.

■ Local initiatives

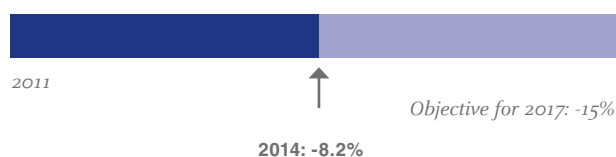
- Conducting energy audits on buildings.
- Overhauling building management system (BMS) analyses.
- Optimising air handling unit (AHU) flow rates.
- Improving the management of lighting in car parks and communal areas.
- Equipping both communal areas and private spaces with LED lighting and movement sensors.
- Raising occupants' awareness about energy efficiency.

The tables below show the change in total energy use for the eight buildings whose baseline year is 2011.

The 2014 indicator has been adjusted to reflect the same climate conditions as in 2011 in order to maintain the most constant reporting scope possible. The overall reduction in energy use between 2011 and 2014 as shown below was 8.2%.

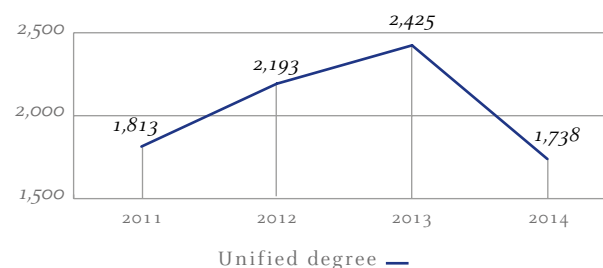
Total energy use	in kWh/sq.m/year
2011	280
2014	257

Progress:



The Group uses the unified degree day (UDD) model to analyse changes in climate conditions. This model enables us to estimate energy needs for heating or air-conditioning depending on how cold the winter is or how hot the summer gets.

UNIFIED DEGREE DAYS



Source: Météociel

“SFL_le_lab” Innovation:

Analysing electricity use by type

In line with our overall aim of using cutting-edge technology, in 2014 our head office building was equipped with a new solution for measuring electricity use. This solution has an innovative meter which can break down the electricity signal by usage (heating ventilation and air conditioning (HVAC), IT and lighting), and by area and time.

Example: We noted that the amount of electricity used at night for IT equipment was fairly high.

Action taken → Raise employees' awareness about turning off their computers before leaving in the evening.

This innovative technology enables us to effectively target the best ways of reducing electricity use and we intend to equip the whole of the Washington Plaza site with such meters in 2015.

Water

Highly aware that water is an essential and increasingly scarce resource, we have implemented a number of action plans aimed at reducing water use in our buildings. This involves equipping all of the water supply points in the communal areas of our buildings with water-saving devices such as aerators to reduce the water flow from taps, “eco bags” in toilet tanks to save large amounts of water and low-flow shower heads.

SFL buildings are supplied exclusively by the municipal 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.

The table below shows the change in water use on a constant scope basis, i.e. only for the eight buildings whose baseline date is 2011.

Water use	in cu.m/sq.m/year
2011	0.67
2014	0.55

Water use for these buildings fell by 18% between 2011 and 2014, which means that the 20% reduction objective for 2017 has already nearly been met. There has been a particularly marked decrease since 2012, when we first launched our water savings measures.

Progress:



Rainwater harvesting systems

In line with the regulatory requirements concerning soil sealing and the Group's overall commitment to environmental responsibility, we are increasingly harvesting rainwater for use in our buildings. The water harvested is used only for watering green spaces.

- In 2014 this technology had been installed at two sites: In/Out and Ozone.

Ozone: 124 cu.m (meter reading) → used to water the building's living wall.

In/Out: 2,474 cu.m (meter reading) → used to water all of the site's green spaces.

- Two further sites will be equipped in 2015: Washington Plaza and #cloud.paris

Washington Plaza: four tanks holding 5 cu.m each have been installed, representing 20 cu.m in total. The water harvested will be used to maintain all of the site's green spaces, including the living wall in the building's interior courtyard.

#cloud.paris: six tanks of 4 cu.m have been designed for installation, representing 24 cu.m in total. The water harvested will be used to water all of the site's 600 sq.m of green spaces. Once full, the tanks will be able to cover the site's watering needs for a period of ten days.

Waste

We are currently in the process of rolling out a reporting system for the waste generated by the occupants of our buildings. The data below only covers five of our buildings: 96 léna, Washington Plaza, 103 Grenelle, Louvre St-Honoré and Rives de Seine.

KPI: 40% of the buildings in the portfolio now have a waste management reporting process

Sorted waste (in tonnes)	Paper/ cardboard	NHIW*
2013	171	367
2014	179	239

*NHIW: Non-Hazardous Industrial Waste.

SFL's waste management initiatives are focused on waste sorting systems for occupants as well as waste generated by operational and maintenance activities. Waste sorting is one of the topics we address with our tenants during our “green” committee meetings. The sorting systems discussed cover office waste (NHIW, paper and cardboard) and sometimes proposals are made for sorting other products such as glass, batteries and ink cartridges.

Waste generated by maintenance operations is systematically recycled as this is a contractual obligation.

Waste sorting at the Group's head office

Each workstation and meeting room has a two-compartment waste bin allowing users to sort paper waste in order for it to be recycled. In 2014, 2.6 tonnes of paper were collected thanks to this system, representing more than 36 kg per employee.

An “Ecobox” collection point for ink cartridges and toners has also been installed at our head office, which enabled 80.3 kg of printer consumables to be recycled in 2014. At the same time, 5 kg of used batteries were collected thanks to a battery collection container.

5.2. Carbon efficiency

Definition: This priority concerns reducing the GHGs emitted by the Group's properties (energy mix used, leaks of coolants, and occupants' daily commutes and journeys to business partners).

Materiality level 3

KPI: 23.4 kg CO₂ eq./sq.m in buildings managed by SFL.
2011 scope: 24.3 kg CO₂ eq./sq.m

Objective for 2017: 21.8 CO₂ eq./sq.m (-10%)

We are mainly lowering our GHG emissions through energy efficiency measures, but we are also committed to removing the last remaining oil-fired boilers from our properties, increasing the use of non-fossil energies in our energy mix, and reducing coolant leakage.

The table below shows the change in GHG emissions due to energy use for the buildings in the 2011 scope.

CO ₂ emissions	in kg CO ₂ eq./sq.m/year
2011	24.3
2014	23.4

These emissions are generated by the buildings' use of electricity, fuel oil and urban heating and cooling systems. The 2014 indicator has been adjusted to reflect the same climate conditions as in 2011 in order to maintain the most constant reporting scope possible. The overall reduction in these GHG emissions between 2011 and 2014 as shown below was 4%.

Progress:

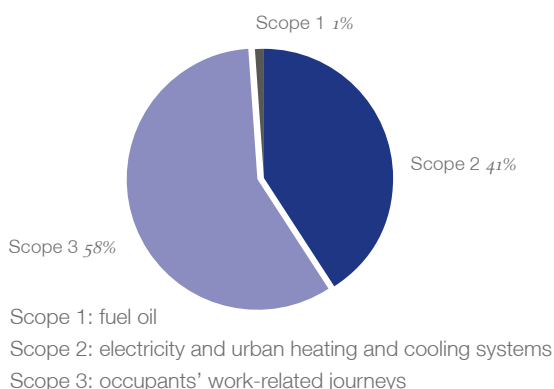


See the "Sustainable building management" section above for information on our measures to reduce building energy use that leads to GHG emissions.

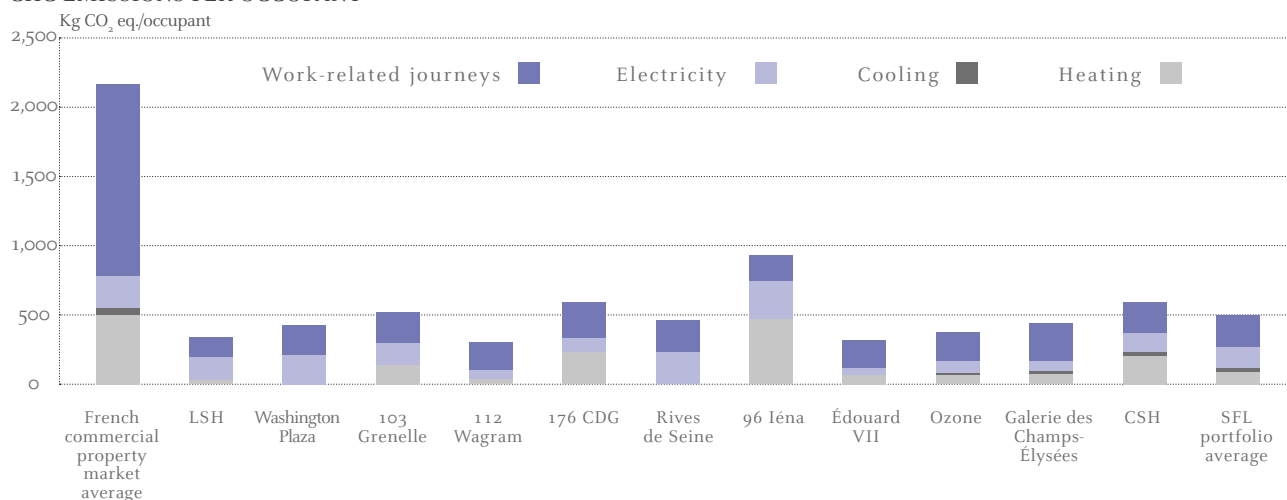
Monitoring the carbon footprint of properties in use

For three years now we have monitored the overall carbon footprint of eleven buildings under management, taking into account both energy use and occupants' daily commutes and business travel (work-related journeys). According to the French government's sustainable development commission (*Commissariat général au développement durable*), daily local travel is the primary contributor to CO₂ emissions in France. We have been able to monitor the work-related daily travel habits of our buildings' occupants through a client satisfaction survey that includes questions concerning their means of transport.

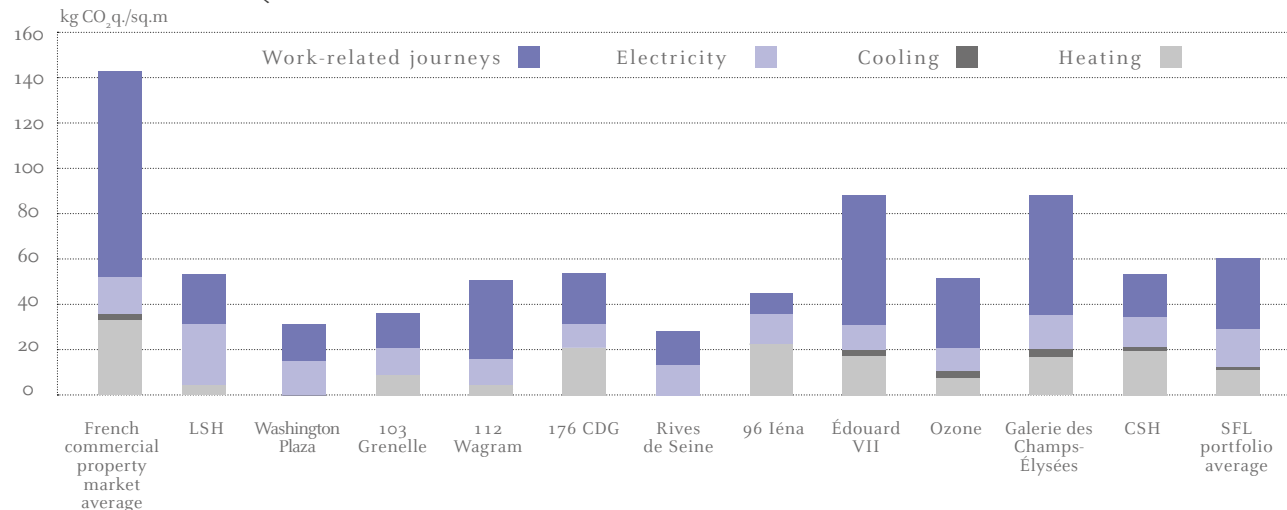
EMISSIONS FROM PROPERTIES



GHG EMISSIONS PER OCCUPANT



GHG EMISSIONS PER SQUARE METRE



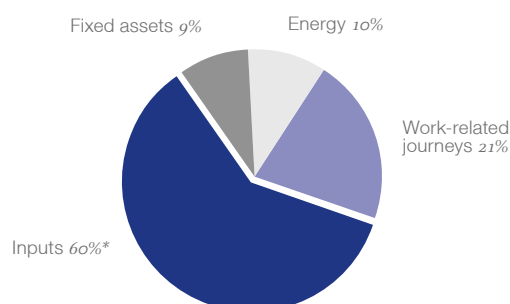
The results obtained from the client satisfaction survey showed that the portfolio's GHG emissions average per workstation user is among the lowest in France.

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 is updated every three years. As part of the audit process we gathered data about work-related journeys by surveying the entire workforce as well as visitors.

Findings: 5.6 t CO₂ eq./employee/year

Head office carbon footprint by emissions source:



* Inputs include paper, screens, CPUs, switchboards, other consumables, subscriptions, books, banking services, fees, expense reports, etc.

Coolants

We took early action to eliminate HCFC-22 (R-22) and other potentially ozone-depleting coolants from our air conditioning systems. To date, R-22 has been phased out across nearly all of our property portfolio. The zero-R22 target will be met in 2015 when the only cooling unit still using the chemical (about 130 kg) is replaced.

We aim to use urban heating and cooling systems as much as possible in our redevelopment projects and the last oil-fired boiler will be replaced by a lower GHG-emitting heating system by 2017.

5.3. Factoring CSR into investment decisions (capex)

Definition: This priority concerns the social and environmental impact of our investment decisions, notably for renovation and redevelopment projects. The underlying aim is to improve the environmental performance of our buildings by taking into account their full life cycle, including the building structure, materials, embodied energy and indirect impact on biodiversity, as well as minimising disamenities caused during building works and the amount of construction waste generated, etc.

Materiality level 2

Objective for 2017: Put in place a decision support system as part of a sustainable procurement policy

As a property company whose business model is underpinned by the excellence of its portfolio, it is crucial that we ensure our properties do not become technically obsolete and that we increase their sustainability. These issues are key factors in capex decisions.

We have two in-house working groups – “SFL_le_lab” and “SFL_le_studio” – which act as R&D watchdogs in terms of the development of new materials and eco-labels with a view to achieving the CSR objectives we have set ourselves. From time to time we also test certain new developments.

Clean worksite charter

The clean worksite charter is used for all large-scale redevelopment projects and major renovations. It covers waste management, the choice of materials used for fittings, monitoring noise levels and limiting pollution, and provides for bi-quarterly information meetings with local residents. Our aim is to use the charter for all renovation worksites by 2016.

We also plan to improve our reporting process for waste generated during building works and are currently looking into ways of recovering materials used.

Capex decision support system

We are planning to set up, by 2017, a decision support system based on life-cycle analyses, for use in our development projects (particularly for choosing construction materials). The criteria used for the system will be selected with a view to optimising the future CSR performance of the properties concerned.

This system will round out our sustainable procurement policy for capital spending on existing properties (see the section on sustainable procurement for further details).

5.4. Biodiversity

Definition: This priority involves integrating issues related to soil sealing and biodiversity into decisions concerning both capital expenditure and the operation of existing properties, in line with the Grenelle II Act.

Materiality level 3

Objective: Implement action plans to enhance the ecological potential of the Group's properties based on the results of surveys.

Objective: Obtain Ecojardin certification for Group sites.

We take particular care to protect and restore biodiversity at our sites because we are highly aware that it not only has a direct environmental impact but is also a component of a property's intangible value due to its effect on occupants' well-being.

Contribution to the Biodiversity Observatory for Corporate Parks and Gardens (OJEVE)

The aim of this Observatory is to gather scientific data about the ecological characteristics of corporate grounds and to encourage companies to get involved in protecting urban biodiversity.

Its main objectives are to:

- Study the biodiversity of corporate grounds and share the data obtained.
- Create a scientific research platform about the ecology of these spaces.
- Keep informed about research carried out on urban biodiversity and the role that corporate grounds play.

The Observatory forms part of France's national biodiversity strategy and acts as a vital link for companies that want to help raise awareness about biodiversity and therefore protect it.

As part of our contribution to this initiative we have installed insect hotels at our properties, either on the roofs or in planted areas, as part of a research project into the population of wild pollinators (particularly solitary bees), which are essential for 35% of the world's agricultural production.

Ecological and vegetation surveys

In 2013, we carried out ecological surveys on our buildings in order to assess their ecological potential. The surveys were used as a basis for drawing up improvement action plans which are currently being implemented (on issues such as vegetation, creating diverse habitats, integrating local plant species, installing bird houses, bat houses and insect hotels, etc.).

We also work with an ecologist when we undertake major redevelopment and renovation works in order to include increasingly large areas of vegetation at our sites with a view to creating new "green patches" in the urban landscape. Six SFL buildings now have green spaces that are accessible to their occupants.

Case study: Washington Plaza

The landscaping project for Washington Plaza was designed to create a new image for free space within the building and for outdoor pedestrian areas. We were convinced that vegetation would be a key factor for projecting this new image so we included large green areas with optimised planting to give the constant impression of abundance. We took care to ensure that the shrubs and greenery will thrive where they are planted, and that the plant pots and holders used are as discreet as possible.



600 sq.m of gardens and a 500 sq.m living wall have been installed at the site. The diversity of the species planted gives the site's occupants environments that change with the seasons.

We are currently reviewing a project to install a bee hive on the roof.

Case study: Cézanne Saint-Honoré

An innovative project is currently underway for using the rooftop space on the eighth storey of the Cézanne Saint-Honoré building, known as the "fifth facade".

This roof terrace area – which was previously unused – is now being converted into a working area with a luxurious 220 sq.m garden.

In addition, the contracts for the maintenance of our existing green spaces include clauses prohibiting the use of pesticides and we plan to obtain Ecojardin certification for our sites that have gardens accessible to occupants.

5.5. Health and safety and environmental risk management

Definition: This priority concerns managing regulatory and physical risks that could affect the health and safety of occupants.

Materiality level 1

We take great care to ensure the health and safety of our buildings' occupants and to control environmental risks, often going beyond mere regulatory compliance. We do this via an internal monitoring system that tracks the following main risks:

- Risks related to post-construction works.
- Natural disaster and industrial risks that may arise during the construction phase.
- Asbestos-related risks.
- Risks related to legionnaire's disease.

The Group has put in place a number of measures specifically aimed at anticipating environmental risks and managing the risks identified, as described below.

Anticipating environmental risks

- A risk identification and regulatory control system managed by the Technical and Development Department (including an outsourced regulatory watch carried out by an external auditing firm).
- In-house tools for prioritising environmental risks and action plans to remedy any non-compliance (risk mapping and control levels), updated monthly.
- An Environmental Safety/Sustainable Development Scorecard, which gives general information about the property in SFL's portfolio, including data on health and safety and sustainability.
- A charter and procedural guide on health, safety and environmental risks.

Managing identified risks

- Soil pollution surveys performed prior to redevelopment projects.
- Two controls for legionnaire's disease carried out each year (compared to one per year previously).
- Use of construction products and materials that have an "A" rating in terms of emissions of volatile organic compounds (VOC) for major redevelopment works.
- Obtaining Environmental Product Declarations (FPDES) for the materials used for redevelopment works.

We intend to extend the use of A-rated VOC-emitting products and materials to cover renovation works by 2017.

In 2014, the Group did not record any provisions or enter into any guarantees for environmental risks.

6. Attracting talent and building employee motivation and loyalty

In 2014, the Human Resources Department pursued the same strategy as in 2013, focused on a two-pronged objective:

- Developing employees' skills and ensuring that they have the skill sets required to enable the Group to meet its strategic goals and adapt to changes in its operating environment.
- Creating the requisite conditions to foster good labour relations and enhance employees' well-being in the workplace, while ensuring the right work-life balance.

6.1 Attracting talent and developing skill sets

Definition: This priority concerns attracting and retaining talent and developing employees' skill sets. On the one hand, this involves putting in place appealing programs for attracting the best talent in the market. And on the other, it means building employees' skills in line with rapid changes in regulations, standards and industry practices so as to enable them to keep up their expertise and increase their employability, while at the same time reinforcing their trust and engagement.

Materiality level 2

SFL operates in an ever-changing market that is under pressure from a complex and constantly developing economic, technical and regulatory environment.

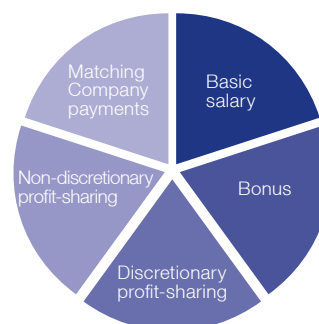
When designing office property projects we particularly need to take into account the new work organisation methods that are transforming the workspace landscape, including shared spaces, working on the move, high levels of employee mobility and an ever-increasing need for flexibility.

These changes mean that we need to rethink the way that workspaces are fitted out and approach property projects not only from a cost-reduction point of view but also in terms of contributing to the comfort and well-being of employees and enhancing the image of our corporate tenants (in line with our concept of "creating value for users").

In addition, and above all, the changes require us to mobilise all of our in-house skills, both technical and cross-functional, especially as we are also having to deal with changes in the property industry, which require increasingly specialised expertise and profiles resolutely focused on performance, service and client and user satisfaction.

Consequently, in view of the Group's size, structure and number of employees, developing skills and ensuring we are able to attract and retain the best talent is a key priority. At 31 December 2014, SFL had a total of 74 employees, 70% of whom are managerial staff.

In line with these objectives and in order to encourage our employees' professional development and foster their engagement, we have put in place a fair, attractive and incentivising remuneration policy.



The Group's different types of remuneration

There are three main components of remuneration at SFL:

• Direct remuneration

This form of remuneration includes a basic salary and a bonus for which all employees are eligible. In 2014, the bonus represented an average of 16% of employees' basic salary and the average gross salary (basic plus bonus) amounted to €61,725 (excluding members of the Management Committee).

As in 2013, the 2014 pay round resulted in across-the-board raises of around 2%.

• Employee savings and share ownership schemes

In 2014, for the third year running, SFL granted free shares to all of its employees in addition to the employee savings schemes already in place (the PEE Employee Sharesave Plan, discretionary and non-discretionary profit-sharing plans, etc).

Also during the year, 82% of employees signed up to or renewed their membership to the SFL Group Pensions Saving Plan (PERCO) and therefore received matching Company payments representing an average of 85% of their contributions to the plan, i.e. an average of €2,730.

Lastly, the discretionary profit sharing agreement was renewed in June.

• Employee benefits and training

The remuneration policy is rounded out by a number of extra benefits including a time savings account that converts leave entitlement into investments in the PERCO Group Pensions Saving Plan, services vouchers (*Chèques Emploi Service Universel*) fully financed by SFL and the Works Council, and subsidised food services (meal vouchers and/or corporate restaurants).

The Group's non-discretionary profit sharing agreement was renewed on 26 June 2014 for a three-year period.

In 2014, 2.30% of total payroll was allocated to training programmes (versus 1.50% in 2013) as part of initiatives designed to promote employee skills acquisition and/or development.

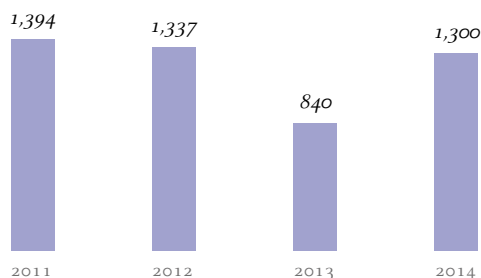
As in 2013, the aims of the **professional training** programme in 2014 were to:

- create and nurture conditions in which every employee has access to continuing education;
- prepare for emerging technical, legal, environmental and other changes in the market, in order to improve employees' professionalism and expertise.

Over the course of the year, nearly 1,300 hours of training were given to 52 employees (representing 73% of the workforce and an average of 24 hours per trainee) in subjects such as asset management, financial management, law, business management, office technology and languages. A total of 73 hours of specific training on sustainability issues was given during the year.

The data on training hours in the table below does not include hours accrued under the statutory training entitlement scheme applicable in France.

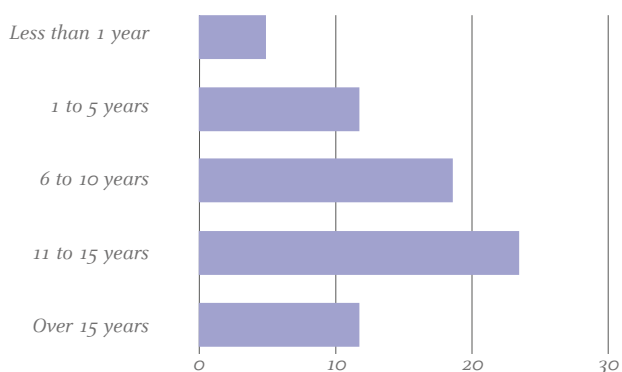
TRAINING HOURS



Thanks to the various measures we have put in place, in 2014 employee numbers remained stable year on year, with six new employees taken on (of which two under fixed-term contracts), and six departures (including two under fixed-term contracts). There were no resignations or redundancies during the year.

The main indicators demonstrating our capacity to foster loyalty are the departure rate and our employees' average length of service, which were 8.50% and 11 years respectively in 2014.

WORKFORCE BY SENIORITY



6.2. Health, safety and quality of life in the workplace

Definition: This priority concerns the implementation of the Group's policy concerning employees' health, safety and quality of life in the workplace (including managing psychosocial risks).

Materiality level 3

Health, safety and well-being are essential for achieving a good-quality working life. They are major factors that concern both individual employees and teams, and as such are an integral aspect of SFL's human resources policy, with measures going above and beyond mere regulatory compliance.

In 2014, only one workplace accident occurred, which did not result in any lost time. Consequently, the accident frequency rate and the accident severity rate were both zero for the year, compared with 25.95 and 0.17 in 2013.

Similarly, no commuting accidents occurred and no occupational diseases were declared during the year.

Following on from the awareness-raising programme on workstation ergonomics implemented in 2013, in 2014 we launched a review process, in consultation with the Group's Health, Safety and Working Conditions Committee, on putting in place a policy for the prevention of psychosocial risks. A working group was set up for this purpose, comprising employees, employee representatives, members of Group management and the company doctor. This working group acts as a watchdog and a think tank and it held four half-day meetings in 2014, led by ACMS (an association that specialises in workplace health and safety) and the consultancy firm, Montgolfière Management. Montgolfière Management specialises in psychosocial risks and quality of life at work and has been commissioned to partner us in implementing our policy based on an action plan that is currently being drawn up and will be deployed in 2015.

Health and safety training given in 2014 amounted to an overall 66 hours and essentially corresponded to practical training given to members of the Health, Safety and Working Conditions Committee, as well as fire risk prevention.

We have also put in place a pro-active policy to ensure that our people achieve a good work-life balance and we take measures to facilitate organisational issues for parents.

For example, as part of the company-level agreement signed on 18 December 2014 on gender equality in the workplace, one of the main areas of progress pinpointed in relation to professional training was how to identify and take into account any family-related constraints of the employees on training courses, such as having to take children to and from school and being available for nursery pick-up times.

Similarly, the eight part-time contracts in place within the Company 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.

Lastly, with a view to making our private health insurance as competitive as possible and improving the reimbursement of healthcare costs for our employees, in late 2014 we launched a project to:

- review the coverage and coverage rates provided for in the existing health insurance plan;
- verify whether the existing health insurance plan is competitive;
- identify any possibilities of optimising coverage without increasing costs;
- if appropriate, make contacts with a new broker and/or insurer.

Following this process, a new set of specifications was drawn up in conjunction with the Works Council, which provide for better reimbursement conditions for certain healthcare costs and a reduction of around 5% in the premiums paid.

Two company-level agreements were subsequently signed on 18 December 2014, one relating to coverage for death and disability and the other for illness and accidents.

We have also reaffirmed our pledge to uphold the principle of non-discrimination in all its forms and our commitment to promoting equal opportunities in the workplace.

6.3. Diversity and equal opportunity

Definition: This priority concerns combatting discrimination in all its forms (seniors, people with disabilities, cultural diversity, etc.) in accordance with the principles of human rights. It notably covers gender equality in the workplace.

Materiality level 3

Gender equality

In line with the overall trends in our industry, SFL has a high proportion of women employees, who accounted for 60% of the workforce at 31 December 2014. For the Company, this figure is testimony to the success of the measures put in place to pay particular attention to gender equality in our hiring, promotion, training and remuneration policies.

In December 2014, we entered into a new three-year agreement on gender equality in the workplace, under which the signing parties included a number of measures, improvement objectives and indicators related to the following:

- Recruitment and job opportunities.
- Job promotion as a result of professional training.
- Actual remuneration packages.

• Recruitment

We have set ourselves the following improvement objectives in terms of internal and external recruitment:

- To endeavour to obtain, as far as possible, an equal number of male and female candidates.
- To encourage a better gender mix in jobs or classification levels where either men or women are under-represented.

In order to achieve these objectives we will:

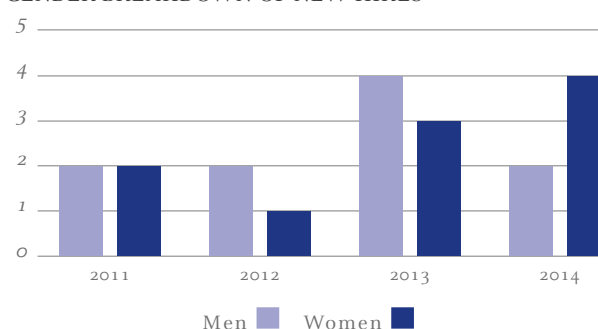
- Inform all of the recruitment agencies we use about the existence of this agreement and its provisions concerning recruitment.
- Ensure that our internal and external job offers are written in such a way that they address men and women indifferently and use neutral terminology.
- Remind the recruitment agencies we use that the information requested from a candidate must solely be aimed at assessing the candidate's professional skills and whether he or she has the capacity to take on the job proposed, and any questions asked must be directly related to the jobs or skills concerned. In addition job offers should only state that they require candidates to be "flexible and available" when that is actually the case.

These objectives will be tracked using the following indicators:

- Proportion of recruitment agencies informed about the existence of the agreement out of the total number of agencies used.
- Number of men and women new hires.
- Breakdown of new hires by type of contract, category and gender.

In 2014, four of the six employees recruited during the year were women.

GENDER BREAKDOWN OF NEW HIRES



• Professional training

We have set ourselves the following improvement objectives in terms of training:

- To ensure that men and women have equal access to professional training.
- To discuss with each employee returning to work after maternity, adoption or parental leave the training courses that will help them to take up their position again or to progress in their job.
- To identify and take into account any family-related constraints of employees following the training courses, such as having to take children to and from school and being available for nursery pick-up times.

In order to achieve these objectives we will:

- Ensure, right from the needs analysis process, that women have the same access to training as men.
- Offer to set up a meeting for each employee returning to work after maternity, adoption or parental leave in order to discuss any training needs they may have in connection with returning to work.
- Take into account family-related constraints when planning and running training sessions.

These objectives will be tracked using the following indicators:

- Number of employees having received training, broken down by gender and professional category.
- Average number of training hours per employee, broken down by gender and professional category.
- Number of “back-to-work” meetings, calculated as a proportion of the number of employees returning from maternity, adoption or parental leave.

A total of 77% of SFL's women employees and 67% of men employees were given training in 2014.

• Remuneration

We have set ourselves the following improvement objectives in terms of remuneration:

- To guarantee, from the initial hiring stage, that men and women who perform equivalent jobs receive the same pay, and to ensure that they have a fair pay structure throughout their time with the Group.
- To neutralise the impact of any time off work due to parenthood (maternity, adoption, parental and paternal leave) so that such time off does not affect the progression of their basic salary and bonus.

In order to achieve these objectives we will:

- Ensure that men and women in equivalent positions have the same job classification and the same level of remuneration when they are hired. The remuneration offered to employees on recruitment will therefore not be affected in any way by their gender and will be based solely on their qualifications, position, level of training and experience, expected autonomy, type of responsibility and the degree of expected involvement.
- Ensure that throughout the duration of their employment contract, pay rises are based solely on employees' skills, experience, performance, level of responsibility and the degree of involvement expected from them.
- Make sure that at each pay round the Management Committee has the necessary recommendations and information for correcting any unfair pay gaps, and verify that the principle of equal pay for men and women is always respected within the Group.
- When there is a general pay rise, give employees on maternity or adoption leave a rise corresponding to the average increase for their job category.

These objectives will be tracked using the following indicators:

- Average remuneration broken down by gender and classification (if there are at least three employees of the same gender in the classification concerned).
- Percentage increase in basic salary, broken down by gender and classification.
- Percentage of employees, broken down by gender, on maternity or adoption leave during the reference period who did not receive any form of pay rise.

As part of the statutory annual pay round negotiations in 2014, a report on potential gender pay gaps was drawn up. The parties noted that there was no form of gender discrimination within the Group in relation to remuneration and reaffirmed the importance of applying the principle of equal pay when individual salary increases are awarded.

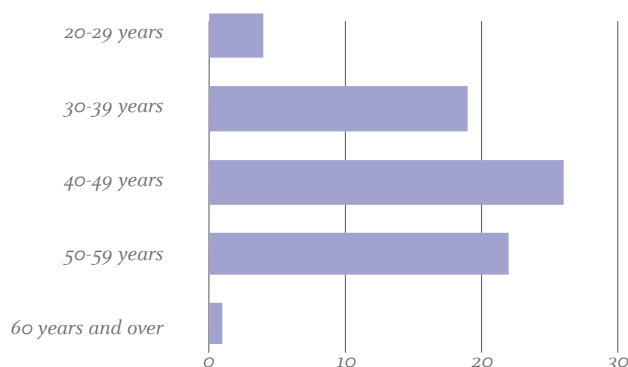
No other company-level agreements were signed during the year.

Seniors

We also place particular importance on combating age-based discrimination.

The average age of employees within the Company is 45 and employees aged 50 and over represented a third of the overall workforce at 31 December 2014.

EMPLOYEE NUMBER BY AGE GROUP



Excluding caretakers

We do not carry out enough hiring to justify setting up a mentoring program within the Company but promoting the employment of seniors forms a key part of our policy of enhancing employees' professionalism and expertise.

People with disabilities

As part of its policy of supporting measures to help people with disabilities 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 2014, the Group's contribution amounted to €6,027.

Given the stability of its workforce and low hiring volume, in 2014 SFL contributed €5,092 to *Association de Gestion du Fonds pour l'Insertion Professionnelle des Travailleurs Handicapés* (AGEFIPH) in fulfilment of its statutory obligations concerning the employment of disabled workers.

7. Governance, ethics and society

7.1. Governance and ethics

Definition: This priority concerns SFL's compliance with the principles of good corporate governance (based on the AFEP-MEDEF Corporate Governance Code for listed companies in France) as well as its business ethics. The measures we take in order to prevent any unfair or illegal business practices play a key role in relation to this priority.

Materiality level 3

Our overall aim is to ensure we always respect the principles of good corporate governance and business ethics.

Governance

See Appendix 7.5 (Chairman's Report on Corporate Governance and Internal Control) on pages 92 *et seq.* of the management report, in which the following subjects are explained:

- The roles and responsibilities, membership structure and independence of the Board of Directors and the Board of Directors' advisors.
- Compliance with the recommendations of the AFEP-MEDEF Corporate Governance Code and any areas where these recommendations are not applied.
- Remuneration of executives and directors, notably the shareholders' say on pay vote.
- The Company's internal control process and the Statutory Auditors' report on the financial statements.

Ethics and compliance

Each employee's employment contract includes a code of conduct which covers issues such as professional integrity, combating fraud, non-discrimination and compliance with tax rules. The Group also complies with the specific code of conduct for SIIcs (real estate investment trusts) which covers topics such as the selection and rotation process used for the independent valuers that value the portfolio.

Employees can contact the Internal Control Department if they have any questions about professional ethics or conduct.

No corruption-related incidents or sanctions were identified in 2014. In addition, no political donations were made during the year, in accordance with the applicable legislation in France.

We also take steps to ensure that our employees as well as our suppliers uphold the Fundamental Conventions of the International Labour Organisation (ILO) in the areas of:

- Freedom of association and collective bargaining.
- Elimination of discrimination in respect of employment and occupation.
- Elimination of forced and compulsory labour.
- Effective abolition of child labour.

Fighting undeclared labour

Other than in exceptional cases, all of our suppliers, irrespective of the type of goods or services provided, are subject to a number of obligations under the applicable employment laws and regulations, notably provisions related to undeclared labour and the employment of foreign workers. If any of our suppliers fail to comply with any of these legal or regulatory provisions we could be exposed to the risk of legal and/or financial sanctions. Consequently, in 2014 we decided to review our practices in this area.

The applicable regulations prohibit undeclared labour and the employment of foreign workers who do not have work permits.

French law provides for a two-pronged liability mechanism in order to discourage non-compliance:

- The party that directly commits the breach (i.e. the employer that does not declare an employee or employs a foreign worker without a work permit) may be held liable for criminal, administrative and financial sanctions.
- Co-contractors can also be held financially liable, i.e. any co-contractor which, when a contract for the provision of work or services is signed, does not verify that its supplier has made all the applicable declarations and is up to date with its social security contributions. These verifications have to be carried out every six months throughout the term of the contract.

In order to avoid any situations of illegal work and to satisfy our obligations concerning obtaining employee-related documentation from suppliers, we have decided to:

- Use a collaborative platform on which suppliers submit the documentation required.
- Include a standard contractual clause in all of our contracts representing over €3,000 (excl. VAT).

The dedicated web platform used enables suppliers to submit, simply and free of charge, all of their employee- and tax-related documentation as well as any required certificates and statements concerning their technical and financial capacities. It manages all of these administrative documents, verifies that they are complete, and, where necessary, sends reminders to the suppliers concerned. The platform enables us to check the compliance of our suppliers at any time and we can also verify the compliance status of potential new suppliers if they are included in the database.

In 2014 we drew up the first list of suppliers to be included in this system. The suppliers listed had worked with SFL during the year and were selected based on their APE business-identifier code depending on the level of risk exposure they represented in terms of undeclared labour.

7.2. Sustainable procurement and supplier relations

Definition: This priority concerns SFL's capacity to integrate CSR criteria into its procurement practices and to ensure that its main suppliers' practices comply with its CSR policy. Procurement practices cover a wide range of topics including stable supplier relations, lead times, purchase prices, orders (including changes and cancellations) and payments.

The priority also covers SFL's ability to foster long-term relations with its suppliers and commercial partners with a view to obtaining technical and operational solutions through sustainable and balanced relations.

Materiality level 3

Our aim is to put in place a procurement strategy that integrates sustainability criteria by:

- Having best-in-class supplier management processes.
- Integrating CSR issues into the criteria for selecting building managers and works sub-contractors as well as into their technical specifications.

To achieve this aim we have recently set up an environment and sustainable procurement unit. This unit is tasked with (i) implementing and overseeing the action plans drawn up with a view to better managing the Company's overall costs and environmental impacts, notably for projects carried out by the Technical and Development Department, and (ii) helping the Company achieve its CSR performance objectives. The topics within its remit include the following:

- Analyses of CSR drivers.
- Materials selection.
- Technical and environmental monitoring and R&D (SFL_le_lab).
- Overall CSR performance tracking.

Supplier selection and management

We limit our sub-contracting pyramid to a maximum of two levels in order to avoid inappropriate use of sub-contracting.

In addition, when commissioning work, we give priority to local companies and contractors.

Seventy-one percent of the suppliers used in 2014 are based in the Greater Paris region.

Supplier administrative processes are mainly carried out via the platform described in the above section on governance and ethics.

In accordance with Article L.441-6 of the French Commercial Code (*Code de Commerce*), unless agreed otherwise by the parties, supplier invoices are paid by SFL on the thirtieth day following receipt of the goods concerned.

Supplier relations

At SFL, our suppliers play a key role in our progress and performance in terms of CSR. Consequently, the suppliers that provide us with multi-technical maintenance work have undertaken to respect our CSR policy and to ensure that their sub-contractors also participate in this overall commitment. In practice, the maintenance suppliers give us technical proposals designed to encourage responsible behaviour, notably in the following areas:

- Optimising energy and water use.
- Using ecological cleaning products.

- Reducing packaging and waste.
- Enhancing occupants' comfort and well-being.
- Increasing the scores for BREEAM In-Use certifications.

We are currently preparing our response to the reorganisation of the French electricity markets (in accordance with the NOME Act) with a view to maintaining competitive energy prices for our clients and guaranteeing that their energy bills remain stable (or decrease). Energy prices are one of the main determining factors for client satisfaction (see the section on sustainable building management).

Communicating with on-site workers

We take care to create open communication channels with construction teams during redevelopment and renovation works to ensure that the works are carried out smoothly and everyone's health and safety is guaranteed.

The health and safety procedure we have put in place for on-site workers includes:

- Training/information on environmental issues (for triple certification sites).
- Access passes for workers.
- Risk prevention measures.
- On-site first-aid specialists.
- First-aid equipment.
- An incident archive system.

For each redevelopment project we put together a handbook that is given to the contractors working on the site and which contains the following:

- Information on staggered breaks for workers.
- Restrictions concerning the use of radios.
- Practical information about the site (washing facilities, access, opening hours, etc.)
- Instructions on the personal protection equipment required to comply with the applicable regulations.

This handbook is translated into the second language that is the most spoken by workers on the site, and in the same vein, on-site information notices and signage are also translated into several different languages. All of these measures ensure that workers can easily find their way around the sites and that they are constantly fully informed.

7.3. Local urban footprint

Definition: This priority concerns SFL's ability to design and manage property assets that meet the needs of society, such as modern architectural design and blending sites into the urban environment. It also involves fostering good neighbourhood relations by limiting any disamenities caused by construction and renovation works.

Materiality level 2

SFL's aim is to improve its local urban footprint for all of its stakeholders.

Neighbourhood relations and creating communication channels during redevelopment works

We set up permanent communication channels with all stakeholders when we carry out redevelopment works, both with elected representatives and local authorities during the design stage of the project and with local residents throughout the actual building works via quarterly neighbourhood meetings.

We also use other communication methods on a case-by-case basis, particularly for triple-certification redevelopment projects, including:

- Specific communication processes with local residents, including letters delivered to all letter boxes prior to the start of the works.
- Information boards at the entrance to the site, which are visible from the exterior so they can be seen by local residents, and which include a presentation of the site, the names of the parties involved, the progress of the works, illustrations (such as plans and photos), descriptions of each phase of the works, information on timeframes, etc.
- A specific e-mail address and a letter box installed outside the site for local residents to make any complaints.
- A procedure for following up and dealing with complaints and requests.

Community integration

We closely liaise with local authorities and municipalities in order to identify our environmental obligations during redevelopment and renovation works. This involves:

- Meetings with the main parties involved.
- Contacts with the municipality concerned before a worksite is set up.
- Reports prepared by a court-appointed expert on the condition of neighbouring properties and on existing disamenities before the work begins.
- Discussions and measures taken to protect nearby trees.

As a member of the French property industry federation (FSIF), SFL regularly participates in the strategy committee meetings for France's Sustainable Building Plan. Launched in 2009, the plan brings together a large number of construction and property stakeholders who are working towards the following six energy efficiency objectives for their sector:

- Reducing GHG emissions four-fold between 1990 and 2050 (often described as the "factor 4" objective).
- Reducing energy use for all buildings by 38% before 2020.
- Energy-focused renovations:
 - Residential property sector: 500,000 major renovations by 2017.
 - Commercial property sector: renovation obligations for public and private commercial property by 2020.
- New building construction: buildings complying with Low-Energy Consumption Building (BBC) standards by 2012 and positive energy buildings by 2020.
- Developing renewable energies: the building sector is contributing to achieving France's renewable energy production objective, which has been set at 23% for 2020.
- Professional qualifications.

Architectural design

In view of the specific nature of our property, we frequently work with the Architectes de Bâtiments de France (ABF), which is a group of civil servant architects who oversee the maintenance and conservation of historical monuments (both listed and unlisted properties) and also act as independent advisors for other historically or culturally significant buildings.

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. To date, four major installations have involved four significant buildings in our portfolio:

Mémoires Contemporaines 1, by Per Barclay and Alain Bublex, which was an opportunity to address the critical issue of the transformation of companies and their organisations.

Mémoires Contemporaines 2, by Felice Varini, which allowed us to draw parallels between the anamorphic, or distorted, view of the building's outline and the importance of strategic vision for companies.

Mémoires Contemporaines 3. With the *Grandes Ondes* 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.

Mémoires Contemporaines 4. SFL has used this fourth installation as an opportunity to showcase the communal areas and reception area at its Washington Plaza head office building, underscoring their potential as places for meeting and exchange and enhancing occupants' comfort and well-being by bringing art into their daily working lives. The work of Guy Limone – known as the artist of statistics – is a unique combination of statistical data and an incredible abundance of images. His installations have proved extremely popular with the people who live and work at Washington Plaza and the idea of bringing art into a new space has strengthened relations between the building's many occupants and visitors.

8. Appendices

8.1. Reporting scope and 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.

These procedures also define the scope of reporting and describe the applicable standards, notably Article 225 of France's Grenelle II Act of 12 July 2010, the Global Reporting Initiative (GRI G4) and CRESS supplement, and the EPRA's recommendations.

Scope of reporting

SFL's portfolio comprises 19 buildings, representing a total surface area of 394,000 square metres.

The eleven buildings included in the scope of reporting are multi-tenant properties with high occupancy rates (over 60%).

The scope of reporting does not include single-tenant buildings, buildings being vacated for future redevelopment, buildings undergoing redevelopment and residential space.

The buildings concerned are as follows:

1. 176 Charles de Gaulle, Neuilly-sur-Seine
2. 96 Léna (Paris 75016)
3. Ilot Édouard VII (Paris 75009)
4. 112 Wagram (Paris 75017)
5. Rives de Seine (Paris 75012)
6. Louvre Saint-Honoré (Paris 75001)
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 au 92 avenue des Champs-Élysées (Paris 75008)

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 redeveloped buildings that are at least 60% let and have been in use for at least one full year.

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 property at 31 December.

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 spaces 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 as it is 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 (see page 64).

Water use

The method used to measure water use is more straightforward, as each property is supplied by a single water source.

Data is collected by either reading water meters or consolidating invoices.

Waste

Waste tonnage presented in the report is determined based on reports provided by service providers and daily weighings of paper waste at our head office.

8.2. Cross-reference table for information required under the Grenelle II Act

	Information provided under Article 225 of the Grenelle II Act (in accordance with the implementing decree dated 24 April 2012)	Page(s) in the 2014 management report
LABOUR AND EMPLOYMENT		
1° Labour and employment information		
	a) Employment	
1	- Total workforce by gender, age group and geographic region	80
2	- Recruitments and terminations	71; 80
3	- Remuneration and changes in remuneration	46; 69; 72
	b) Organisation of work	
4	- Organisation of working time	70; 80
5	- Absenteeism	80
	c) Labour relations	
6	- Organisation of social dialogue, particularly employee information, consultation and bargaining procedures	51; 70; 72
7	- Collective agreements	69; 71; 72
	d) Occupational health and safety	
8	- Health and safety conditions at work	70
9	- Collective agreements signed with trade unions and/or employee representatives concerning occupational health and safety	70
10	- Work-related accidents (notably their frequency and severity) and occupational diseases	70; 80
	e) Training	
11	- Policies implemented concerning training	70; 71
12	- Total number of training hours	70; 80
	f) Equal opportunities	
13	- Measures taken to promote gender equality	71
14	- Measures taken to promote the employment and integration of people with disabilities	72
15	- Anti-discrimination policy	72; 73
	g) Promotion of and compliance with the fundamental conventions of the International Labour Organisation	
16	- Respect for freedom of association and the right to collective bargaining	73
17	- Elimination of discrimination in respect of employment and occupation	73
18	- Elimination of forced or compulsory labour	73
19	- Effective abolition of child labour	73

	Information provided under Article 225 of the Grenelle II Act (in accordance with the implementing decree dated 24 April 2012)	Page(s) in the 2014 management report
ENVIRONMENT		
2° Environmental information		
	a) Environmental policy	
20	- Organisation of the company to take environmental issues into account and environmental assessment and certification approaches	59; 60
21	- Employee training and information on environmental protection	65
22	- Total investments and expenditures to prevent environmental risks and pollution	68
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	68
	b) Pollution and waste management	
24	- Measures to prevent, reduce and clean up environmentally harmful emissions and discharges into the air, water and soil	65
25	- Measures to prevent, recycle and eliminate waste	65; 79
26	- Measures to mitigate noise pollution and all other types of pollution specific to an activity	74; 75
	c) Sustainable use of resources	
27	- Water use and water withdrawals in relation to local resources	65; 79
28	- Consumption of raw materials and measures to improve their efficient use	65; 66; 79
29	- Energy use and measures to improve energy efficiency and use renewable energy sources	64; 79
30	- Land use	68
	d) Climate change	
31	- Greenhouse gas emissions	65; 66; 79
32	- Measures to adapt to climate change	65; 66
	e) Protection of biodiversity	
33	- Measures taken to preserve or develop biodiversity	67; 68
SOCIETY		
3° Information on society-related commitments to promote sustainable development		
	a) Regional, economic and social impact of the company's activities	
34	- Impact on employment and regional development	74
35	- Impact on local and neighbouring communities	74
	b) Relations with stakeholders, notably mainstreaming associations, educational institutions, environmental associations, consumer associations and neighbouring communities	
36	- Relations with the individuals or organisations referred to above	51
37	- Partnership or sponsorship programmes	75
	c) Sub-contracting and suppliers	
38	- Inclusion of social and environmental concerns in the company's purchasing policy	67; 74
39	- Importance of sub-contracting and integration of corporate social and environmental responsibility in relationships with suppliers and sub-contractors	73; 74
	d) Fair operating practices	
40	- Measures to prevent corruption	73; 74
41	- Measures to preserve consumer health and safety	61; 62; 68
	e) Human rights	
42	- Other measures to protect human rights	73

8.3. Indicators and cross-reference table for the GRI G4 standard

Disclosures	GRI G4	EPRA	Source/Unit	Scope	2012	2013	2014	
ENVIRONMENT								
Energy								
Energy consumption within the organization	EN3		Electricity in MWh	SFL head office	220	182	192	
Energy consumption outside of the organization	EN4	3.3	Fuel oil in MWh	FULL SCOPE	560	552	409	✓
		3.1	Electricity in MWh		36,991	41,632	39,184	✓
		3.2	Urban heating and cooling system in MWh		17,162	20,956	18,438	✓
Energy intensity	EN5 CRE1	3.4	kWh/sq.m./year		277	294	261	✓
			kWh/user/year		2,036	2,023	1,841	✓
Water								
Water withdrawn from municipal water supplies or other water utilities	EN8	3.8	cu.m	FULL SCOPE	133,495	125,941	127,328	✓
Total volume of water recycled and reused	EN10		cu.m	Ozone & In/Out	ND	ND	2,598	
Building water intensity	CRE2	3.9	cu.m/sq.m./year	FULL SCOPE	0.7	0.6	0.6	✓
			litres/occupant/day		23	18	18	✓
Emissions								
Direct greenhouse gas (GHG) emissions (Scope 1) (based on energy used)	EN15	3.5	t CO ₂ eq.	FULL SCOPE	150	182	135	✓
Indirect greenhouse gas (GHG) emissions (Scope 2) (based on energy used)	EN16	3.6	t CO ₂ eq.		4,821	5,804	5,032	✓
Other indirect greenhouse gas (GHG) emissions (Scope 3) (work-related journeys by building users)	EN17		t CO ₂ eq.		5,350	7,227	7,198	✓
Greenhouse gas emissions intensity from buildings	EN18 CRE3	3.7	kg CO ₂ eq./sq.m/year		25.2	27.9	23.3	✓
			kg CO ₂ eq./occupant/year	192	192	163.90	✓	
Waste								
Total waste by type	EN15	3.10	NHIW (tonnes)	5 buildings	NA	367	239	
			Paper/ Cardboard (tonnes)		NA	171	179	

✓ Audited and verified by Deloitte

Disclosures		Scope	GRI G4	2012	2013	2014	
Organizational profile							
Report the percentage of total employees covered by collective bargaining agreements		SFL Group	G4-11	100%	100%	100%	
Social – Labor practices and decent work							
Employment							
Total number of employees and number of new hires	Total number of employees			81	74	74	✓
	Permanent contracts			80	73	73	✓
	Fixed-term contracts			1	1	1	✓
	Men			30	30	29	✓
	Women			51	44	45	✓
	Managers			54	52	53	✓
	Supervisors			13	11	11	✓
	Administrative employees			14	11	10	✓
	Under 45			36	34	33	✓
	Aged 45 or over			45	40	41	✓
	Paris			81	74	74	✓
	Other	SFL Group	LA1	0	0	0	✓
	New hires						
	Permanent contracts			2	6	4	✓
	Fixed-term contracts			1	1	2	✓
	Men			2	4	2	✓
	Women			1	3	4	✓
	Managers			3	6	5	✓
	Supervisors			0	0	0	✓
	Administrative employees			0	1	1	✓
	Under 45			3	6	5	✓
	Aged 45 or over			0	1	1	✓
Number of terminations by reason	Personal			3	2	2	✓
	Economic			0	0	0	✓
Total payroll	€'000s (gross)		LA3	6,494	7,115	7,097	
Occupational health and safety							
Number of reported and recognized workplace accidents with lost days				0	1	1	✓
Number of reported and recognized commuting accidents with lost days				1	6	0	✓
Number of working days lost as a result of workplace accidents				0	0	0	✓
Number of working days lost as a result of commuting accidents				13	20	0	✓
Accident frequency rate				7.37	25.95	0	✓
Accident severity rate		SFL Group	LA6	0.09	0.17	0	✓
Number of reported and recognized occupational diseases				0	0	0	✓
Absenteeism (in number of working days)							
Illness				986	846	978	✓
Maternity leave				256	173	216	✓
Leave to take care of sick children				30	18	33	✓
Leave for family events				49	15	51	✓
Training							
Total number of training hours (excluding hours accrued under the French statutory training entitlement)	in hours	SFL Group	LA9	1,337	840	1,280	✓

✓ Audited and verified by Deloitte

GRI G4 General Standard Disclosures		Page of the Financial and Legal Report
Strategy and Analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	44
Organizational profile		
G4-3	Report the name of the organization.	44
G4-4	Report the primary brands, products, and services.	5; 6
G4-5	Report the location of the organization's headquarters.	60
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	45
G4-7	Report the nature of ownership and legal form.	9
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	45
G4-9	Report the scale of the organization, including: total number of employees; total number of operations; net sales (for private sector organizations) or net revenues (for public sector organizations); total capitalization broken down in terms of debt and equity (for private sector organizations); and quantity of products or services provided.	9; 45; 46
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	46; 80
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	80
G4-12	Describe the organization's supply chain.	48
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: changes in the location of, or changes in, operations, including facility openings, closings, and expansions; changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.	5; 6; 31 to 34
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	22 to 28
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	25; 36; 67; 68; 105
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: holds a position on the governance body; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic. This refers primarily to memberships maintained at the organizational level.	54; 75; 105

GRI G4 General Standard Disclosures		Page of the Financial and Legal Report
Identified material aspects and boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	9
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	76
G4-19	List all the material Aspects identified in the process for defining report content.	76
G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows: - Report whether the Aspect is material within the organization. - If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material. - Report any specific limitation regarding the Aspect Boundary within the organization.	76
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows: - Report whether the Aspect is material outside of the organization. - If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified. - Report any specific limitation regarding the Aspect Boundary outside the organization.	76
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	76
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	76
Stakeholder engagement		
G4-24	Provide a list of stakeholder groups engaged by the organization.	49
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	48; 50; 51
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	50
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	48; 50
Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	5
G4-29	Date of most recent previous report (if any).	ND
G4-30	Reporting cycle (such as annual, biennial).	76
G4-31	Provide the contact point for questions regarding the report or its contents.	47
G4-32	a. Report the "in accordance" option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be "in accordance" with the Guidelines.	54
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	54 85
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	47
Ethics and integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	73; 111

GRI G4 Specific Standard Disclosures		Page of the Financial and Legal Report
Economic		
Economic performance		
G4-EC1	Direct economic value generated and distributed	90
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	68
Environment		
Energy		
G4-EN3	Energy consumption within the organization	79
G4-EN5	Energy intensity	79
G4-EN6	Reduction of energy consumption	64
CRE1	<i>BUILDING ENERGY INTENSITY</i>	
Water		
G4-EN8	Total water withdrawal by source	65; 79
G4-EN10	Percentage and total volume of water recycled and reused	65
CRE2	<i>BUILDING WATER INTENSITY</i>	
Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	66; 79
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	66; 79
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	66; 79
G4-EN18	Greenhouse gas (GHG) emissions intensity	79
G4-EN19	Reduction of greenhouse gas (GHG) emissions	66
G4-EN20	Emissions of ozone-depleting substances (ODS)	67
CRE 3	<i>GREENHOUSE GAS EMISSIONS INTENSITY FROM BUILDINGS</i>	79
Effluents and waste		
G4-EN23	Total weight of waste by type and disposal method	65
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	65
Social – Labor practices and decent work		
Employment		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	80
Occupational health and safety		
G4-LA5	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	70
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	80
G4-LA8	Health and safety topics covered in formal agreements with trade unions	70; 71
Training and education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	70; 80
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	70; 71
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	70 to 72
Diversity and equal opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	10; 46
Supplier assessment for labor practices		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	73; 74
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	48

GRI G4 Specific Standard Disclosures		Page of the Financial and Legal Report
Social – Human rights		
Freedom of association and collective bargaining		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	73; 74
Child labor		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	73; 74
Forced or compulsory labor		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	73; 74
Assessment		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	
	Supplier human rights assessment	73; 74
Social – Society		
Anti-corruption		
G4-SO4	Communication and training on anti-corruption policies and procedures.	73
G4-SO5	Confirmed incidents of corruption and actions taken.	73
Supplier assessment for impacts on society		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	73
Social – Product responsibility		
Customer health and safety		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	67
Product and service labeling		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	59; 60
G4-PR5	Results of surveys measuring customer satisfaction.	58
CRE 8	<i>TYPE AND NUMBER OF SUSTAINABILITY CERTIFICATION, RATING AND LABELING SCHEMES FOR NEW CONSTRUCTION, MANAGEMENT, OCCUPATION AND REDEVELOPMENT.</i>	59; 60

8.4. Report of the Statutory Auditors

Report of one of the Statutory Auditors, appointed as independent third party, on the consolidated social, environmental and societal information published in the management report
Year ended 31 December 2014

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.

To the Shareholders,

In our capacity as Statutory Auditor of Société Foncière Lyonnaise, and appointed as independent third party, for whom the certification request has been approved by the French National Accreditation Body (COFRAC) under the number 3-1048⁽¹⁾, we hereby present you with our report on the consolidated social, environmental and societal information prepared for the year ended 31 December 2014 (hereinafter the "CSR Information"), presented in the management report 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 CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols and guidelines used by Société Foncière Lyonnaise (hereinafter the "Reporting Guidelines"), which are available for consultation at the headquarters of the Company and for which a summary is presented in the management report.

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 auditing standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditor

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 (Statement of completeness of CSR information);
- to express limited assurance on the fact that, taken as a whole, CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Guidelines (Formed opinion on the fair presentation of CSR Information).

(1) The scope of which is available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

Our work was carried out by a team of five people between January 2015 and March 2015. To assist us in conducting our work, we referred to our corporate social responsibility experts.

We conducted the following procedures in accordance with professional auditing 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, concerning the formed opinion on the fair presentation of CSR Information, with the international standard ISAE 3000⁽²⁾.

1. Statement of completeness of 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 programmes.

We 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 verified that explanations were provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code. We 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 limitations presented in the methodological note on methods of Appendix 8.1 of the management report.

Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the management report.

2. Formed opinion on the fair presentation of CSR Information

Nature and scope of procedures

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

- assess the suitability of the Reporting Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, when relevant, the sector's best practices;

- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare 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 performed 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 sites and entities⁽²⁾ 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 performed substantive tests using sampling techniques, consisting in verifying the calculations made and reconciling the data with supporting evidence. The selected sample represented 100% of the headcount and between 24% and 100% of the quantitative environmental information considered to be most important.

Regarding the other CSR information, we have assessed its consistency in relation to our understanding of the Group.

Lastly, we 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 judgement 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, we did not identify any material anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Guidelines.

Neuilly-sur-Seine, 20 March 2015.

French original signed by one of the Statutory Auditors,

Deloitte & Associés



Christophe Postel-Vinay
Partner



Julien Rivals
Partner, Sustainability Services

(1) See Appendix 1

(2) See Appendix 2

Annex 1: Selected CSR information

Important 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 number of training hours (excluding hours accrued under the French statutory training entitlement)
- Number of reported and recognised workplace accidents with lost days
- Number of reported and recognised commuting accidents with lost days
- 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

Important quantitative environmental data

- Direct greenhouse gas emissions (Scope 1, 2 and 3)
- Water withdrawn from municipal water supplies or other water utilities
- Energy consumption within and outside the organisation (electricity, fuel, urban heating and cooling system consumption)
- Greenhouse gas emissions intensity from buildings
- Greenhouse gas emissions intensity (from buildings energy consumption)

Qualitative social data reviewed at Group level

- Employee compensation
- Gender equality

Qualitative environmental data reviewed at Group level

- SFL CSR policy
- Certification
- Sustainable building management

Qualitative societal data reviewed at Group level

- Sustainable procurement and supplier relations
- Comfort, layout and organisational efficiency
- Governance and ethics

Annex 2: Selected entities

Assets selected for verification of important quantitative environmental data

- Ozone (92 Champs-Élysées)
- Édouard VII
- 176 Charles de Gaulle

Entities selected for verification of important social data

- Consolidated scope: Société Foncière Lyonnaise.

7. Appendix

Appendix 7.1 – Board of Directors' Special Report to the Annual General Meeting of 22 April 2015 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 2014.

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.

(Except for stock options granted in respect of the adjustment made in application of Article L.228-99 of the French Commercial Code following the payment from the share premium account of a special distribution of €0.70 per eligible share, as decided by the General Meeting of 14 November 2014.)

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 2014 by SFL or any related companies to any employees of the Company other than the Chief Executive Officer or the Managing Director.

(Except for stock options granted in respect of the adjustment made in application of Article L.228-99 of the French Commercial Code following the payment from the share premium account of a special distribution of €0.70 per eligible share, as decided by the General Meeting of 14 November 2014.)

5) The top 10 employees of the Company with the highest number of stock options other than the Chief Executive Officer or the Managing Director did not exercise any options on shares in the companies mentioned in 1) and 2) above in 2014.

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)

In compliance with Article L. 225-197-4-1 of the French Commercial Code, we hereby present our 2014 report to shareholders on performance share grants to employees and corporate officers who do not hold over 10% of the Company's capital.

On 4 March 2014, the Board of Directors decided to use the authorisation given by the Annual General Meeting of 9 May 2011 to set up a performance share plan and to award a total of 50,972 performance share rights to employees and officers (*mandataires sociaux*) of the Company and related companies or groupings within the meaning of Article L.225-197-2 of the French Commercial Code.

The performance share rights are subject to the rules of Performance Share Plan 1 dated 16 February 2012 and its addendum dated 5 March 2013.

1. Framework for the performance share awards

1.1 Authorisation given by the Annual General Meeting of 9 May 2011

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

(1) At the Annual General Meeting of 24 April 2014 (second extraordinary resolution), this authorisation was cancelled and a new 38-month authorisation to the same effect was granted.

1.2 Adoption of the Plan rules by the Board of Directors on 16 February 2012

In line with the authorisation given by the Annual General Meeting of 9 May 2011, at its meeting on 16 February 2012 the Board of Directors adopted the Performance Share Plan rules, which were subsequently amended in an addendum dated 5 March 2013 (Plan 1).

1.3 Performance share awards decided by the Board of Directors on 4 March 2014

In line with the recommendation of the Remunerations and Selection Committee, on 4 March 2014 the Board of Directors decided to award 50,972 performance share rights under Plan 1 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 Company or of related companies or groupings within the meaning of Article L.225-197-2 of the French Commercial Code.

Of the 50,972 performance share rights, 29,962 were awarded to corporate officers (*mandataires sociaux*) including 21,843 to the Chief Executive Officer, Bertrand Julien Laferrière, 4,369 to the Managing Director, Nicolas Reynaud, and 3,750 to the Chairman of the Board of Directors, Juan José Brugera Clavero.

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.

2. Characteristics of the performance share plan

2.1 Purpose of the performance share awards

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.

2.2 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 awarded by the Board of Directors on 4 March 2014 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 share rights that vest will depend on SFL's ranking among 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, 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 two-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 Euronext Paris in compartment A.

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)

	2010	2011	2012	2013	2014
Financial position at the year-end					
I. Capital at 31 December					
Share capital	93,057,948	93,057,948	93,057,948	93,057,948	93,057,948
Number of ordinary shares outstanding	46,528,974	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	130,779,707	99,194,508	94,646,561	79,595,681	70,878,041
Profit/(loss) before tax, depreciation, amortisation and provisions	90,116,934	70,519,256	(9,444,008)	84,937,737	72,162,520
Income tax expense/(benefit)	(386,328)	3,752,786	2,224,773	14,110,955	(55,730)
Net profit/(loss)	97,098,358	42,547,038	(41,971,858)	44,843,906	31,476,110
Ordinary dividends ⁽¹⁾	97,710,845	65,140,564	65,140,564	97,710,845	65,140,564
Special distribution ⁽¹⁾	–	32,570,282	32,570,282	–	32,570,282
III. Per share data					
Earnings per share after tax, before depreciation, amortisation and provisions	1.95	1.43	(0.25)	1.52	1.55
Earnings/(loss) per share	2.09	0.91	(0.90)	0.96	0.68
Ordinary dividend per share	2.10	1.40	1.40	2.10	1.40
Special distribution per share	–	0.70	0.70	–	0.70
IV. Employee data					
Number of employees at year-end	70	71	70	66	65
- Of which building staff	3	2	2	2	2
Total payroll	6,778,433	7,024,460	7,111,629	7,728,387	7,665,940
Total benefits	3,202,378	3,331,603	3,201,255	3,213,249	3,239,556

(1) Determined based on the total number of shares.

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 2014.

Date of AGM	Authorisation or delegation of competence	Used/ unused in 2014	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 2013	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 a 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 that do not lead to any share issues.	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, without pre-emptive subscription rights for existing shareholders.	Unused	26 months
24 April 2014	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
24 April 2014	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 issue shares under two performance share plans, on 16 February 2012, 5 March 2013 and 4 March 2014, 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. This report 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 2014 and was prepared by management with input from the Audit Committee. It was approved by the Audit Committee on 2 March 2015 and by the Board of Directors on 3 March 2015.

The report also describes the change in governance on 27 January 2015, following the Board of Directors’ decision to separate the functions of Chairman and Chief Executive Officer. Effective that date, Nicolas Reynaud was appointed Chief Executive Officer, with Juan José Brugera Clavero retaining his position as Chairman of the Board.

1. Corporate governance

1.1. Reference to the AFEP-MEDEF Corporate Governance Code

In matters of corporate governance, the Company refers to the AFEP-MEDEF Corporate Governance Code for listed companies, as revised in June 2013 ("the AFEP-MEDEF Code").

The English translation of the Code may be downloaded from the Corporate Governance section on www.afep.com.

The factors that could have an impact in the event of a public tender offer for the Company's shares are described in section 5.5 of the Management Report.

Note also that Standard & Poor's has assigned the Company a BBB- credit rating, with a stable outlook (no change during the year).

The following table summarises the provisions of the AFEP-MEDEF Code with which the Company is not in full compliance.

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 December 2014	Rationale
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 13 directors are independent	Board membership is related to the direct involvement of the majority shareholder and the minority shareholders in its deliberations.
Proportion of independent directors on the Audit Committee	At least two-thirds of the audit committee members should be independent (Art. 16.1)	1 of the 3 members is independent	Membership of the Audit Committee reflects the Board's. The Board is keeping the issue of its membership under review, taking into account the Company's specific features.
Proportion of independent directors on the Remuneration and Selection Committee	The majority of members of the remuneration and selection committee should be independent, including the committee's chairman, and no executive directors should be members (Art. 18.1)	1 of the 3 members is independent, the Chairman is not and the Chairman of the Board of Directors is a member of this committee	Membership of the Remuneration and Selection Committee reflects the Board's. On 11 February 2015, the Board changed the membership of the committee, which is now chaired by an independent director and comprises an additional member, who is also independent.
Independence criteria applied to directors	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 considers that professional experience and an objective perspective on the Company's business represent a meaningful criterion for determining a director's independence. The Board is keeping this issue under review, taking into account the Company's specific features.
Period served on the Board			
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)	A flat fee is awarded to each director without regard to his or her attendance rate	Directors' fees are relatively low compared with the amounts paid by companies in SFL's peer group.

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 December 2014	Rationale
Assessment of the Board of Directors	The board should assess its membership, organisation and procedures by dedicating, once a year, one of the points on its agenda to a discussion of its operation and performing a formal assessment every three years (Art. 10)		This point will be placed on the agenda in 2015 and the Board will take the necessary steps to perform an assessment of its organisation and procedures.
Ownership of company shares by directors	A director should be a shareholder personally and hold a fairly significant number of shares in relation to the directors' fees; if he or she does not hold these shares when assuming office, he or she should use his or her directors' fees to acquire them (Art. 20)	Some directors only own 25 shares, in accordance with the Company's Articles of Association.	As part of the above-mentioned assessment exercise, the Board will study possibility of reviewing this rule.

1.2 Members of the Board of Directors and the Management Committee at 31 December 2014

Article 15 of the Articles of Association (version dated 23 July 2014) states that the Board of Directors may have between three and sixteen members.

At 31 December 2014, the Board comprised 13 members, including 7 representing the majority shareholder Colonial, 3 representing significant minority shareholders (Chantal du Rivau, Jean-Jacques Duchamp of Predica and Reig Capital Group, Luxembourg, represented by Carlos Enseñat Reig) and 3 independent directors (Anne-Marie de Chalambert, Anthony Wyand and Jacques Calvet).

Of the total, 4, or 30.77%, are women, in line with French Act 2011-103 of 27 January 2011 concerning gender balance on corporate boards and gender equality in the workplace, and in compliance with the AFEP-MEDEF Code.

Directors are elected for three-year terms, 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 over 70 may not represent more than one-third of the serving members of the Board.

To stagger the re-election of current Board members, shareholders at the Annual General Meeting held to approve the 2014 financial statements will be asked to re-elect Anne-Marie de Chalambert and Jacques Calvet to a one-year term expiring at the close of the Annual General Meeting held to approve the 2015 financial statements.

Shareholders will also be asked to re-elect Angels Arderiu Ibars as director for a three-year term expiring at the close of the Annual General Meeting to be held to approve the 2017 financial statements.

Until 8 July 2014, Juan José Brugera Clavero served as Chairman of the Board of Directors, while the Chief Executive Officer was Bertrand Julien-Laferrrière, assisted by Nicolas Reynaud in his capacity as Managing Director.

At that time, the Board decided to terminate the position of Chief Executive Officer held by Bertrand Julien-Laferrrière since 5 October 2010.

On 23 July 2014, the Board decided to combine the positions of Chairman of the Board of Directors and Chief Executive Officer and assign them to Juan José Brugera Clavero on a pro tempore basis, ahead of the appointment of a new Chief Executive Officer, with Nicolas Reynaud retaining his position as Managing Director.

1.3 Separation of the positions of Chairman and Chief Executive Officer decided on 27 January 2015

On 27 January 2015, on the recommendation of the Remuneration and Selection Committee, the Board decided to separate once again the positions of Chairman and Chief Executive Officer and to appoint Nicolas Reynaud as Chief Executive Officer and Dimitri Boulte as Managing Director.

José Juan Brugera Clavero continues to serve as Chairman of the Board of Directors. The Board has not assigned him any specific tasks other than the duties and responsibilities incumbent on a Chairman of the Board of Directors under French law.

1.4 Independent directors

According to the AFEP-MEDEF Code, 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 judgement. 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
- Anne-Marie de Chalambert

1.5 Members of the Board of Directors, directorships and other positions held at 31 December 2014, experience and expertise

Juan José Brugera Clavero			
Position:		Other positions held in the Company:	
– Chairman and Chief Executive Officer		– Chairman of the Executive and Strategy Committee	
		– Member of the Remuneration and Selection Committee	
Age	68	Business address:	Avenida Diagonal 532,
Nationality	Spanish		08006 Barcelona
First elected	2004		Spain
Re-elected	2008		
Term expires	2016		
Number of SFL shares held	25		
Other directorships and positions held at 31 December 2014		Other directorships and positions held in the past five years	
Outside France (Spain):		Outside France (Spain):	
– Director and Chairman:		– Chairman:	
• Inmobiliaria Colonial (SA) (listed company)		• Panrico	
		– Director:	
		• Creapolis S.L.	

Angels Arderiu Ibars**Position:**

- Director

Other positions held in the Company:

–

Age	48	Business address:	Avenida Diagonal 532,
Nationality	Spanish		08006 Barcelona
First elected	2014		Spain
Term expires	2015		
Number of SFL shares held	25		

Other directorships and positions held at 31 December 2014**Outside France (Spain):**

- Chief Financial Officer:
 - Inmobiliaria Colonial (SA) (listed company)

Other directorships and positions held in the past five years

–

Jacques Calvet**Position:**

- Director

Other positions held in the Company:

- Member of the Committee of Independent Directors
- Member of the Audit Committee

Age	83	Business address:	42 rue Washington
Nationality	French		75008 Paris
First elected	1999		France
Re-elected	2008		
Term expires	2015		
Number of SFL shares held	825		

Other directorships and positions held at 31 December 2014**France:**

- Director:
 - Groupe Lac (SA) (listed company) (formerly Cottin Frères)
- Vice Chairman and Member of the Supervisory Board:
 - Société Anonyme des Galeries Lafayette (SA)
- Chairman of the Supervisory Committee:
 - Bazar de l'Hôtel de Ville – BHV (SAS)
- Honorary Chairman:
 - BNP Paribas (SA) (listed company)
- Advisor:
 - Banque de France
- Honorary adviser:
 - Cour des Comptes (French National Audit Office)

Other directorships and positions held in the past five years**France:**

- Director:
 - Aldeta
 - Icade
 - Novarte
 - Laser Cofinoga (SA) *term ended in 2014*
 - Laser (SA) *term ended in 2014*
 - Le Meilleur Holding (SAS) *term ended in 2014*
- Non-voting director:
 - EPI (Société Européenne de Participations Industrielles)
 - Agence H (formerly Scher Lafarge)

Anne-Marie de Chalambert**Position:**

- Director

Other positions held in the Company:

- Member of the Committee of Independent Directors

Age	71	Business address:	42 rue Washington
Nationality	French		75008 Paris
First elected	2010		France
Term expires	2015		
Number of SFL shares held	25		

Other directorships and positions held at 31 December 2014**France:**

- Director:
 - Nexity (SA) (listed company)
 - Mercialis (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 of Directors:

- Generali Immobiliare (SA) (Italy)

– Director then Vice Chairman:

- FSIF (Fédération Française des Sociétés Immobilières et Foncières)

Jean-Jacques Duchamp**Position:**

- Director

Other positions held in the Company:

- Member of the Executive and Strategy Committee
- Member of the Audit Committee

Age	60	Business address:	16 boulevard de Vaugirard
Nationality	French		75015 Paris
First elected	2004		France
Term expires	2016		
Number of SFL shares held	25		

Other directorships and positions held at 31 December 2014**France:**

- Director:
 - CPR – Asset Management (SA)
 - Pacifica (SA)
 - Spirica (SA)
 - Générale de Santé (SA)
- Permanent representative of Predica, Director:
 - Gecina (SA) (listed company)
 - Sanef (SA)
- Deputy Managing Director:
 - Crédit Agricole Assurances (SA)

Italy:

- Director:
 - CA Vita (SA)

Other directorships and positions held in the past five years

– Director:

- UNIMO
- Foncière des Régions (SA)
- Bes Vida (SA), (Portugal)
- Crédit agricole immobilier (SA) *term ended in 2014*

– Member of the Supervisory Board/Director:

- Koria-Medica (SA) (listed company) (formerly Korian)

– Permanent representative of Crédit Agricole Assurances,

Director:

- Dolcea Vie (SA) *term ended in 2014*

Chantal du Rivau**Position:**

- Director

Other positions held in the Company:

–

Age	59	Business address:	16 boulevard de Vaugirard
Nationality	French		75015 Paris
First elected	2014		France
Term expires	2016		
Number of SFL shares held	30		

Other directorships and positions held at 31 December 2014**Other directorships and positions held in the past five years****France:**

–

- Chief Executive Officer:
 - B Immobilier (SA)
 - Iris Holding France (SAS)
- Chairman of the Board of Directors:
 - OPCI Predica Habitation*
- Chairman of the Board of Directors and director:
 - OPCI River Ouest*
 - OPCI Predica Bureaux*
- Director:
 - Alta Blue (SAS)
 - B2 Hotel Invest*
 - Camp Invest*
 - Iris Invest 2010*
 - OPCI CAA Kart*
 - Urbis Park (SA)
- Permanent representative of IMEFA Quatre, Director:
 - OPCI CAA Commerces 2*
 - OPCI Messidor*
- Chairman:
 - CAA Kart 1 (SASU)
 - CAA Kart 2 (SASU)
- Permanent representative of Predica, Member of the Supervisory Board:
 - Patrimoine & Commerce (SCA)
- Member of the Supervisory Board:
 - Unipierre Assurance**
- Legal Manager:
 - Diapre Un (SARL)

*French mutual fund primarily invested in real estate (SPPICAV).

**French real estate investment trust (SCPI).

Carlos Fernandez-Lerga Garralda**Position:**

- Director

Other positions held in the Company:

- Chairman of the Audit Committee

Age	65	Business address:	Monte Esquinza, 14-7ºD
Nationality	Spanish		28010 Madrid
First elected	2008		Spain
Term expires	2016		
Number of SFL shares held	50		

Other directorships and positions held at 31 December 2014**Spain:**

- Director:
 - Inmobiliaria Colonial (SA) (listed company)
 - EUR - Consultores SL
- Director and Chairman of the Board:
 - Iberdrola Ingenieria y Construccion (SA)

Other directorships and positions held in the past five years**Spain:**

- Director:
 - Abantia Empresarial
 - Gamesa Corporación Tecnológica

Carmina Gañet Cirera**Position:**

- Director

Other positions held in the Company:

- Member of the Executive and Strategy Committee

Age	46	Business address:	Avenida Diagonal 532
Nationality	Spanish		08006 Barcelona
First elected	2009		Spain
Term expires	2017		
Number of SFL shares held	30		

Other directorships and positions held at 31 December 2014**Spain:**

- Chief Executive Officer – Corporate Division
 - Inmobiliaria Colonial (SA) (listed company)

Other directorships and positions held in the past five years**– Director:**

- SIIC de Paris (*term ended in 2014*)

Carlos Krohmer**Position:**

- Director

Other positions held in the Company:

–

Age	43	Business address:	Avenida Diagonal 532
Nationality	German		08006 Barcelone
First elected	2014		Spain
Term expires	2017		
Number of SFL shares held	30		

Other directorships and positions held at 31 December 2014**Spain:**

- Executive Vice President, Corporate Development, Budget Control and Investor Relations:
 - Inmobiliaria Colonial (SA) (listed company)

Other directorships and positions held in the past five years

–

Luis Maluquer Trepat**Position:**

- Director

Other positions held in the Company:

–

Age	59	Business address:	Rambla de Catalunya 123,
Nationality	Spanish		6ª Planta
First elected	2010		08036 Barcelona
Term expires	2017		Spain
Number of SFL shares held	400		

Other directorships and positions held at 31 December 2014**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)
- Chairman:
 - Camara Argentina de Comercio en España

Other directorships and positions held in the past five years**Spain:**

- Chairman of the Board of Directors:
 - Balaguer 98 de Inversiones mutual fund
 - Inver 99 mutual fund
- Director:
 - Gaillac

Pere Viñolas Serra**Position:**

- Director

Other positions held in the Company:

- Chairman of the Remuneration and Selection Committee
- Member of the Executive and Strategy Committee

Age	52	Business address:	Avenida Diagonal 532
Nationality	Spanish		08006 Barcelona
First elected	2008		Spain
Term expires	2016		
Number of SFL shares held	3,325		

Other directorships and positions held at 31 December 2014**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:**

- SIIC de Paris (*term ended in 2014*) (France)
- Mecanotubo (Spain)
- Riva y Garcia (Spain)

Anthony Wyand**Position:**

- Director

Other positions held in the Company:

- Member of the Committee of Independent Directors
- Member of the Remuneration and Selection Committee

Age	71
Nationality	British
First elected	1995
Term expires	2016
Number of SFL shares held	100

Business address: 42 rue Washington,
75008 Paris
France

Other directorships and positions held at 31 December 2014**France:**

- Director :
 - Aviva France (SA)
 - Aviva Participations (SA)
 - Société Générale (SA) (listed company)

Italy:

- Director
 - Unicredito

Other directorships and positions held in the past five years

- Chairman:
 - Grosvenor Continental Europe

Reig Capital Group**Position:**

- Director (represented by Carlos Enseñat Reig since 2 September 2014)

Other positions held in the Company:

–

Age	30
Nationality	Andorran
First elected	2007
Term expires	2016
Number of SFL shares held	2,038,955

Business address: Plaça Rebés 9
AD500 Andorra la Vella
Andorra

Other directorships and positions held at 31 December 2014**France:**

- Chairman:
 - Loris Azzaro (SAS)

Spain:

- Director:
 - Reig Capital Back Office SL
 - Birtok SL
 - Erginedom SL
 - Joyeria Vasari Madrid SL
 - Polizar XXI SL
 - Scalby SL
 - Trivalor SL
 - Venusaur SL
 - Zigrino SL
- Representative of Zigrino SL, Director:
 - Ambric Innovacions SL

Andorra:

- Director:
 - Any de la Part SLU
 - Everest Management SLU
 - Fills de Julia Reig SL

Puerto Rico:

- Director:
 - Reig Capital Inc.
 - Inmobiliaria Isla Nena
 - RC Puert Rico Inc.
 - Reig Aviation Inc.
 - The Vieques Hotel Corporation
 - Vieques Hotel Partners

Other directorships and positions held in the past five years

- Director (Spain) :
 - Prettydress SL
 - Reig Capital Servicios y Gestion SL
 - Reig Capital Group Luxury and Retail SL
- Director (Luxembourg) :
 - Reig Capital Hotel & Resorts SARL

Experience and expertise represented on the Board of Directors as of 31 December 2014

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. He also taught economics (1972-1975) and bank management (1975-1988) at the ESADE business school, and was appointed honorary Vice-Chairman of the school's Foundation in 1989 and Chairman in 1999, a position he held until 2005. From 1975 to 1987, he held various positions at Banco Sabadell. He joined Sindibank as Chief Executive Officer in 1987 and served in the same position at Colonial from 1994 to 2006 and at Mutua Madrileña from 2006 to 2007. He was also a director at SFL from 2004 to 2006 and Chairman of Panrico from 2007 to 2010. He has been Chairman of Colonial since 2008. He is also President of Ramon Llull University (Barcelona) and Doctor Honoris Causa of University of Rhode Island (United States).

Angels Arderiu Ibars has an undergraduate degree in business administration from the University of Barcelona, as well as a graduate degree in financial audit and a Master's degree in Finance from the ESADE business school. 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.

Jacques Calvet is an independent director of SFL. He began his career as an auditor with France's Court of Auditors (1957-1959), before joining the ministerial office of Valéry Giscard d'Estaing, then Secretary of Finance, first as project leader (1959-62), then technical advisor and lastly Deputy Chief of Staff (1962-1966). At the same time, he worked in the central office of the Ministry of Finances, first as Vice-Director (1964) then as Department Head (1967). In 1969 he joined the ministerial office of Valéry Giscard d'Estaing, Minister of the Economy and Finances, first as Deputy Chief of staff (1969) then Chief of Staff (1970-74) and, lastly, as Finance Director (1973). 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 also held various senior management positions in the PSA Peugeot Citroën Group, including Chairman of Peugeot SA (1982-1984), Chairman of the Managing Board of Peugeot SA (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 Inspector General 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.

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.

After law studies, **Chantal du Rivau**, started her career as a real estate investment manager, first at Groupe des Populaires d'Assurances (GPA) and then at the La France Insurance company and Groupe Mornay (Klésia). In 1990, she joined Predica to deploy processes to manage the company's growing real estate portfolio. In 1998, she also took charge of Predica's operating real estate assets. In 2009, she joined Crédit Agricole Assurances to manage the real estate portfolio of all its subsidiaries. She is chairman of several OPCI real estate funds and director of various real estate investment vehicles.

Carlos Fernandez-Lerga Garralda is a lawyer specialised 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.

An economist by training, **Carmina Gañet Cirera** began 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 Board of the Circulo de Economia economic think tank and is a former professor at Ramon Llull University.

Carlos Krohmer 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 appointed 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 European Public Real Estate Association's Investor Relations Committee.

Luis Maluquer Trepas has degrees in law (Barcelona University) and international institutions (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 Caisse Nationale de Crédit Agricole'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.

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 Catalan 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 tenured 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 Carlos Enseñat Reig, who earned a law degree at the University of Barcelona in 2007 and graduated from the HEC business school in Paris in 2008. He is currently Subsíndic of the Parliament of Andorra and member of several legislative commissions. He is also a director of Loris Azzaro Couture in Paris and Vice Chairman of the Board of Reig Capital Group.

1.6 Changes in the membership of the Board of Directors during 2014

Director	Elected	Re-elected	End of term	Comments
Carlos Losada Marroda	–	–	Resigned 13 February 2014	–
Angels Arderiu Ibars	Appointed by the Board of Directors on 4 March 2014 Ratified at the 24 April 2014 Annual General Meeting	–	–	Standing for election to a new three-year term at the 22 April 2015 Annual General Meeting
Jean Arvis	–	–	Not re-elected at the 24 April 2014 Annual General Meeting	–
Bertrand Letamendia	–	–	Not re-elected at the 24 April 2014 Annual General Meeting	–
Carlos Krohmer	Elected at the 24 April 2014 Annual General Meeting	–	–	Elected for a three-year term
Aref Lahham	–	–	Resigned 1 May 2014	–
Chantal du Rivau	Appointed by the Board of Directors on 28 May 2014 Ratified at the 14 November 2014 General Meeting	–	–	Appointed for the remaining term of her predecessor, Mr Lahham, i.e. until the Annual General Meeting held to approve the 2015 financial statements
Reig Capital Group Luxembourg Sarl	2 September 2014: New permanent representative: Carlos Enseñat Reig	–	2 September 2014: Former permanent representative: Alejandro Hernandez-Puertolas	–

1.7 Board practices

1.7.1 Role of the Board of Directors

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

In accordance with its internal rules, the Board's prior authorisation is required for all acquisitions, disposals and financial commitments in excess of €20 million.

At least twice a year, in February and July, the Chief Executive Officer informs the Board of the Company's financial position, cash position and commitments. This information is preceded by a presentation, with the participation of the external auditors, to the Audit Committee, which reports to the Board on its own work.

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.

No specific tasks are assigned to the Chairman and no other director was assigned any specific tasks in 2014.

1.7.2 Organisation and procedures of the Board of Directors

The Board's organisation and procedures are governed by the Company's Articles of Association and by the Board's own internal rules.

A summary of the internal rules and the Board's ethical and corporate governance standards is available online at www.fonciere-lyonnaise.com, as well as on page 106 of the Management Report.

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

1.7.3 Rights and obligations of directors and management of conflicts of interest

In addition to describing the directors' rights and obligations by law, the internal rules also stipulate the directors' duties in such areas as trading 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 the permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name. They are required to write to the Chairman of the Board of Directors providing full details of any and all purchases or sales of SFL shares.

In addition, they must notify the Chairman of any directorships and corporate functions held in other named companies during the 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.

1.7.4 Work of the Board of Directors in 2014

Article 19 of the 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.

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 Board of Directors met ten times in 2014, with an average attendance rate of 87.13%.

The issues covered during the meetings were as follows:

Agenda of the 2 January 2014 meeting

1. Update on the process underway concerning a change in the Company's issued capital.

Agenda of the 12 February 2014 meeting

1. Approval of the minutes of the 18 December 2013 and 2 January 2014 meetings
2. Review of the 2013 financial statements, the Audit Committee's report and the external auditors' report
3. Other business.

Agenda of the 4 March 2014 meeting

1. Approval of the minutes of the 12 February 2014 meeting
2. Preparation of the Annual and Extraordinary General Meeting of 24 April 2014:
 - 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. Recommendations of the Remuneration and Selection Committee
 - 2014 compensation for corporate officers
 - Changes in Board membership due to resignation, election or appointment, and membership of the Board committees
 - Draft resolution to be submitted to the next Annual and Extraordinary General Meeting (renewal of the 38-month authorisation enabling the Board to grant performance shares to employees and corporate officers, replacing the similar authorisation expiring in July 2014).
4. Other business.

Agenda of the 24 April 2014 meeting

1. Approval of the minutes of the 4 March 2014 meeting
2. Forecasts and projections to be prepared in compliance with Article L.232-2 of the French Commercial Code
3. Bonuses
4. Other business.

Agenda of the 21 May 2014 meeting

1. Realia's disposal of SIIC de Paris. Eurosic's offer and exercise of the Company's rights under the shareholders' pact.

Agenda of the 28 May 2014 meeting

1. Realia's disposal of SIIC de Paris. Eurosic's offer and exercise of the Company's rights under the shareholders' pact.
2. Review of a new candidate for director and appointment following a resignation.

Agenda of the 8 July 2014 meeting

1. Realia's disposal of SIIC de Paris and sale of our shares: powers and authorisations
2. In/Out building in Boulogne-Billancourt. Update on the building's situation and decision/authorisation
3. Possible changes in the Company's executive management organisation.

Agenda of the 23 July 2014 meeting

1. Approval of the minutes of the 24 April, 28 May and 8 July 2014 meetings
2. Review of the 2014 interim financial statements and first-half business review, property appraisals, NAV, the Audit Committee report and the external auditors' report
3. Updating the 2014-2018 Business Plan
4. Other business.
 - Update on the Louvre des Antiquaires
 - Change in the registered office address to 42 rue Washington from 40 rue Washington.

Agenda of the 2 October 2014 meeting

1. Approval of the minutes of the 23 July 2014 meeting
2. Update on the In/Out, Cloud and Louvre Saint-Honoré projects
3. Latest budget forecast for approval
4. Authorisation to issue bonds and the liability management transaction
5. Investment projects
6. Preparation of the Ordinary General Meeting of 14 November 2014
 - Notice of meeting and agenda: payment of an interim dividend of €0.70 per share to be deducted from the share premium account
 - Approval of the resolutions to be tabled at the Meeting
 - Approval of the report of the Board of Directors
 - Ratification of a directors' appointment
 - Ratification of the change in the registered office address.
7. Other business.

Agenda of the 14 November 2014 meeting

1. Approval of the minutes of the 2 October 2014 meeting
2. Payment of the interim dividend
 - Determination of the method for calculating the adjustment to stock option rights
 - Delegation of authority to the Managing Director to make the adjustments to stock option rights required following the payment of the interim dividend, and to carry out all legal procedures and formalities.
3. 2014 forecast, 2015 budget and 2016-2019 business plan
4. Other business
 - Update on the Condorcet acquisition
 - Proposed 2015 meeting schedule.

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

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.

1.9 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.

In 2015, the Board will perform a more specific assessment of its work.

1.10 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 outside 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.

1.11 Corporate governance disclosures

To the best of the Company's knowledge:

- There are no family ties between the members of the Board of Directors and the external 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. Internal rules currently in force require 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.

1.12. Committees of the Board

1.12.1 Rules governing Board committee membership and procedures

The decision to create a committee is made by the Board of Directors. Each committee generally has three or four members who are appointed by the Board at its discretion, based on their skills and experience. They 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 remit 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 may be 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.

Committee members have the same obligations as the directors, in particular as concerns the obligations of allegiance and confidentiality.

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

In line with its commitment to transparency and to ensuring equitable treatment of all shareholders, particularly individual shareholders, in 1995 SFL introduced corporate governance guidelines whose purpose is to involve the Board more deeply in defining and overseeing strategies related to the Company's financial and operating performance.

1.12.2 The Audit Committee

Members of the Audit Committee as of 31 December 2014:

Chairman:	Carlos Fernandez-Lerga Garralda
Members:	Jacques Calvet (independent director)
	Jean-Jacques Duchamp

Jean Arvis was a member until 24 April 2014, when his term of office as director expired.

The Audit Committee members' experience in the areas of finance and accounting is described on page 96, 97 and 99.

In accordance with the Board of Directors' internal rules, the role of the Audit Committee is to:

- Make recommendations concerning the appointment or re-appointment of the external auditors.
- Review the financial statements to be presented to the Board.
- Assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
- Review the audit plans of the internal and external auditors.
- Verify the independence of the external auditors.

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.

The Committee is encouraged to assess its practices each year at the same time as the Board's practices are assessed.

Work of the Committee during the year

- Existence of a presentation by the external auditors reviewing the highlights of the findings of the statutory audit and the accounting options used.
- Existence of a presentation by the Chief Financial Officer reviewing the Company's material off-balance sheet risks and commitments.
- The procedure for selecting new external auditors.

Working methods

- Review the financial statements within a specified time ahead of the Board's review.
- Hear reports by the external auditors, Chief Financial Officer, Accounting Director and Cash Management Director.
- Hear reports by the heads of internal audit and risk management.
- Ability to call on outside experts as needed.

The Audit Committee met four times in 2014, with an average attendance rate of 91.67%.

The issues covered during the meetings were as follows:

Agenda of the 11 February 2014 meeting

1. Approval of the minutes of the 18 November 2013 meeting
2. Review of the 2013 financial statements
3. Other business.

Agenda of the 3 March 2014 meeting

1. Approval of the minutes of the 11 February 2014 meeting
2. Report of the Chairman of the Board of Directors on corporate governance and internal audit.

Agenda of the 22 July 2014 meeting

1. Review of the interim financial statements
2. Other business: interim Risk Indicator Scorecard.

Agenda of the 3 December 2014 meeting

1. Approval of the minutes of the 22 July 2014 meeting
2. Reports on internal audits of the following processes:
 - Internal audit assignment no. 11: Expiration of a lease
 - Internal audit assignment no. 12: Collection process
 - Internal audit assignment no. 13: Insurance.
3. Information system milestone review
4. Summary of recommendations from the audit assignments
5. Update on the Édouard VII parking garage incident.

1.12.3 The Remuneration and Selection Committee

Members of the Remuneration and Selection Committee on 31 December 2014:⁽¹⁾

Chairman: Pere Viñolas Serra
Members: Juan José Brugera Clavero
Anthony Wyand (independent director)

Jean Arvis was a member until 24 April 2014, when his term of office as director expired.

(1) On 11 February 2015, the Board of Directors appointed the following people to the Remuneration and Selection Committee:

Chairman: Anthony Wyand (independent director)
Members: Anne-Marie de Chalambert (independent director)
Pere Viñolas Serra

In accordance with the Board of Directors' internal rules, the role of the Remuneration and Selection Committee is 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.
- 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.

The Remuneration and Selection Committee met four times in 2014, with an average attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 12 February 2014 meeting

1. Payment of the corporate officers' 2013 bonuses
2. Corporate officers' 2014 remuneration.

Agenda of the 4 March 2014 meeting

1. Corporate officers' 2014 remuneration
2. Performance share plan
3. Composition of the Board of Directors.

Agenda of the 8 July 2014 meeting

1. Removal of Bertrand Julien-Laferrrière from office
2. Payment of Mr Julien-Laferrrière's compensation for loss of office
3. Settlement agreement signed.

Agenda of the 2 October 2014 meeting

1. Recommendation for Chief Executive Officer
2. 2014 bonus (quantitative target based on the 2014 budget).

1.12.4 The Executive and Strategy Committee

Members of the Executive and Strategy Committee on 31 December 2014:

Chairman: Juan José Brugera Clavero
Members: Jean-Jacques Duchamp
Carmina Gañet Cirera
Pere Viñolas Serra

Aref Lahham was a member until 1 May 2014, when he resigned as director.

In accordance with the Board of Directors' internal rules, the role of the Executive and Strategy Committee is to:

- Advise the Board and senior management in defining the Company's strategic vision to drive business growth in the best interests of the Company and all of its shareholders.
- Help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
- Review the Company's business plans and projections in order to assess the medium and long-term outlook.
- Review and make recommendations concerning planned transactions that require the Board's prior approval.
- Report to the Board on its activities.

1.12.5 The Committee of Independent Directors

Members of the Committee of Independent Directors on 31 December 2014:

Members: Anne-Marie de Chalambert (as from 24 April 2014)
Jacques Calvet
Anthony Wyand

Jean Arvis was a member until 24 April 2014, when his term of office as director expired.

The Committee's role is to make recommendations to the Board concerning any transactions likely to occur as part of a reorganisation of the Company's ownership structure. The Committee meets separately from the full Board.

1.13 Remuneration and benefits in kind paid to corporate officers and directors

Remuneration and benefits in kind paid to corporate officers and directors are presented in section 3.3 of the Management Report.

In the case of directors, the Board continued to apply the rules in force since 1 January 2009 for the allocation and payment of the directors' fees awarded by shareholders at the Annual General Meeting.

They were allocated as follows:

- Director or non-voting director: €18,000 per year
- Member of a Committee: €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 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.

1.14 General Meetings (excerpts 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 registered in their name as of the record date.

These formalities must be completed no later than 12:00 a.m. CET 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 another shareholder, his or her spouse or civil partner, or 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 procedure for returning 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 giving 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 employee'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.

Certain, more specific internal audits may be performed with the support of experts other than KPMG.

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" in the Management Report, page 22 *et seq.*

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

Internal control procedures over business processes are communicated to all employees concerned and updated to reflect process changes.

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

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

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

The quality of budget control data was enhanced with the implementation of a new information system, capable of producing more and better analyses than the previous system. 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.

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 thoroughly revamped following the Company's 2011 reorganisation referred to in the introduction to this report.

They will be aligned with the changes in the Company's governance before the end of first-quarter 2015.

c) Information systems governance

The Information Systems Department is responsible for issuing data security standards covering:

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

The current information system, which covers all of the 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 that year, Cassiopae was selected to develop a new information system. Progress on the project is regularly tracked by the Audit Committee, as described below. Note that there are very few software solutions available in the property management industry, with just two leading specialists in the market, Cassiopae and SOPRA.

Information system operating procedures remain unchanged.

Information systems management is outsourced to an external service provider, which provides assurance that databases are backed up at daily intervals and that the technical quality of backups is satisfactory. The outsourcing contract also includes a contingency plan, providing for the transfer of processing operations to IBM Global Service in the event of a major systems failure. All of these back-up and contingency procedures 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 interim and annual 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 the risks associated with each project, providing decision support for senior management and the basis for determining a risk monitoring methodology applicable during the renovation process.

To ensure that all liabilities have been identified and measured, checks 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 pages 22 *et seq.* of the Management Report.

c) Insurance

The Group'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. Buildings are insured on an all-risks basis with named exclusions, subject to a cap of €300 million. The policies cover reconstruction or replacement cost as well as loss of revenue for 48 months for buildings in use. 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.

All of the accounting teams are part of 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 full 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 remain the basis for an extensive financial communication process and must be produced within a very short timeframe to comply with market standards. The publication dates are announced to the market in advance and must be met without fail.

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:

- Five-year profit and loss account projections
- A condensed statement of financial position
- A quarterly analysis of changes in consolidated debt
- Key financial ratios, such as EBITDA, EPRA earnings and 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 drawn up 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 2014 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 2014.

2.3.1 Internal audits performed in 2014

In early 2014, the Audit Committee defined and approved an internal audit plan based on the Company's risk map.

The plan provided for the audit of the following processes:

- a) Expiration of a lease: compliance with the key stages in the lease expiry process.
- b) Collection process: analysis of the collection process/review of tenant default risks based on an analysis of aged receivables.
- c) Insurance: managing coverage and filing claims.
- d) Follow-up of recommendations.
- e) Follow-up of work performed to design and implement a new information system.

After each audit, reports were prepared and submitted to the Audit Committee, which also made inquiries of the internal auditors and the Chief Resources Officer, who is the Head of Internal Audit. The Audit Committee was also informed of the status of action plans undertaken to implement the internal auditors' recommendations.

a) Lease termination process

The purpose of the audit is to identify the key steps in the lease termination process, identify existing leases, assess their relevance and operating efficiency and recommend pathways to improvement.

Terminating a lease is the responsibility of the Property Management Department.

Leases may be terminated by either the lessor or the tenant.

For both parties, the decision is most often taken as part of strategic considerations aimed at optimising the benefits of leasing the premises described in the lease.

A lease may be terminated in one of three ways:

- The tenant notifies SFL that it wishes to terminate the lease. In this case, the major issue for both parties is restoring the property to normal conditions.
- SFL evicts the tenant without offering to renew the lease. In this case, SFL may have to pay eviction compensation to the tenant.
- SFL evicts the tenant and offers to renew the lease. In this case, the tenant may contest the amount of the new rent.

The process involves the following departments:

- Property Management.
- Legal.
- Asset Management.
- Budget Control.

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 renewal or termination process are presented in the fourth macro-process, "Rental Management".

However, there is no general written procedure governing the operational management of the lease termination process.

Conclusion: the lease termination process is satisfactorily managed by the Property Management Department

The audit revealed the process's core strengths, as follows:

- The Property Management Director ensures that information about the lease termination process is coordinated.
- There is a satisfactory budget preparation process.
- The Legal Department participates in drafting amicable settlements.
- Outside legal advice is systematically sought in the event of disputes.
- Asset Review Committees have been formed, which issue quarterly overviews of the premises under lease, asset by asset, along with recommendations for certain tenants. There are also Project Review Committees and Partner Committees.

The recommendations mainly concern process documentation and the preparation of written procedures. None of the issues raised was considered major.

The identified areas for improvement concern:

- Drafting a written operating procedure governing application of the lease termination process and covering its major steps and key controls.
- Drafting a written description of the individual strategic considerations expressed upstream from termination, their probable legal and financial ramifications and the decision taken.

- Introducing and formalising periodic meetings between Property Management and Budget Control, to support the formal notification of amendments to the budget.
- Informing the Property Management teams of the rules for drafting settlements (which template to use in each situation).
- Setting up systemic data archiving of all the legal documentation.

b) Collection process

The audit consisted of a detailed review of the collection process with the goal of verifying the appropriate nature of existing controls and assessing their relevance and operating efficiency.

General principles of the collection process:

- The Property Strategy and Transaction Department (formerly Asset Management) analyses the creditworthiness of prospective tenants during the marketing phase or when tenants are replaced.
- The Property Management Department tracks past-due receivables and takes the initial steps to collect on them before transferring the case, if need be, to the Legal Department, who may avail itself of outside counsel.
- Writedowns of doubtful or contested receivables are reviewed by the Legal Department in association with Corporate Accounting, which recognises any accounting adjustments as needed.
- Every month, the Budget Control Department performs second-tier controls on past-due receivables and the corresponding writedowns as part of data reported to our shareholder.
- At 31 December 2013, 37% of total receivables (both healthy and doubtful) had been written down. Impaired receivables represented 4% of rental income for the year. Note the significant impact of the writedown on the ATHEMA receivable, which accounted for 88% of this total impairment at 31 December 2013.

The collection process involves the following departments:

- Property Management.
- Legal.
- Property Strategy and Transaction.
- Corporate Accounting.
- Budget Control.

Existing procedures

As part of the Responsible, Accountable, Consulted, Informed (RACI) matrix, the key phases in the process of tracking past-due receivables and disputes are presented in the fourth macro-process, "Rental Management".

KPMG reviewed the procedures for "Doubtful receivable operating procedures" and "Doubtful receivable settlement agreement".

However, there is no general written procedure governing the operational management of the collection process.

Conclusion

The audit revealed the process's core strengths, as follows:

- Tenant creditworthiness is analysed during the marketing phase, based on financial data and the D&B scoring system.
- Property Management teams meet monthly to review tenant situations and the actions to be taken or already underway to deal with tenants in arrears.
- Legal and Property Management teams meet monthly to review disputes
- Outside legal counsel is used in settling disputes or when tenants are in arrears.
- Doubtful or disputed receivables are automatically written down in ESTIA and the percentage impairment of material past-due amounts is reviewed by the Legal Department.
- Budget Control performs second-tier controls on the process of tracking past-due receivables and their impairment.

Recommendations

The identified areas for improvement concern:

- Drafting a written operating procedure governing application of the collection process and covering its major steps and key controls.
- Systematically drafting a report on the findings of the analysis of prospective tenants conducted by the Property Strategy and Transaction Department and the resulting decisions.
- Drafting a procedure detailing the methodology for analysing counterparty risk on prospective tenants during the marketing phase.
- Introducing a procedure for systematically requesting the Property Strategy and Transaction Department to assess counterparty risk during the renewal of a significant lease.
- Reintroducing the procedure for systematically creating dispute/doubtful receivable cases in ESTIA for tenants at risk of non-recovery and introducing controls to ensure that the procedure is properly followed. This recommendation was put into effect immediately.

c) Managing insurance coverage and filing claims

KPMG has audited the processes for taking out coverage and managing subscribed policies in order to verify their appropriateness and to understand existing controls so as to assess their relevance and operating efficiency.

The audit consisted of a detailed review of the insurance coverage. Interviews were conducted and tests were performed in the identified areas at risk in order to assess the controls in place.

SFL has three types of insurance:

- Property insurance, which protects existing assets.
- Contract works insurance, corresponding to structural damage insurance, bi-annual and ten-year construction works guarantees, etc.
- Specific risk insurance, which covers professional liability, the personal liability of executives and corporate officers, offices and information systems.

Taking out and managing insurance is a core component of the coverage strategy designed to optimise the coverage/cost ratio versus the occurrence of risks inherent in SFL's business.

The insurance process involves the following departments:

- Resources.
- Technical.
- Property Management.

Existing procedures:

As part of the Responsible, Accountable, Consulted, Informed (RACI) matrix, the key phases concerning insurance are presented in the several macro-processes: the second, "Single Building Acquisition", the sixth, "Building Modernisation", the seventh, "Building Remodeling", and the eighth, "Building Disposal".

KPMG audited the Contract Works Insurance procedure, the Comprehensive Property Insurance procedure and emails from the Resources Department reviewing the comprehensive site insurance procedure.

Conclusion

The audit revealed the process's core strengths, as follows:

- There are written procedures, which were walked through by the teams.
- An insurance audit conducted by Assureur Conseil confirmed that SFL has a consistent insurance program aligned with its business and market rates (report submitted in April 2014)
- Site insurance management and claims follow-up have been outsourced to agents.
- SFL regularly meets with certain agents to review current coverage and claims management.
- A control environment is being fostered with, for example, a training program organised in collaboration with Nexity, procedural reviews, and email templates listing the items that must be submitted to file a claim.

Recommendations

The identified pathways to improvement concern SFL's oversight of the outsourced site insurance management and claims follow-up activities. Note that outsourcing does not transfer the risk to the contractor. The property company has to retain control over the outsourced processes and implement appropriate control systems.

d) 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 was considered major.

The identified pathways to improvement concern the introduction of second-tier controls at certain stages in the audited processes and the formalisation of control procedures.

In some cases, there are three types of recommendations that remain open:

- Most stem from a lack of formalisation (unwritten control procedures, no formal decision-making process, etc.). Without justifying them, most of these shortfalls are due to recent internal reorganisations.
- Other recommendations, mainly related to archiving or traceability, seem difficult to implement in the ESTIA information system. These points have been perfectly identified and will be addressed with corrective measures in the new system.
- Lastly, primarily as concerns the delegations of authority, the consequences of the changes in senior management following Mr. Julien-Laferrrière's departure on 8 July 2014 have not been integrated across all of the internal procedures.

The project experienced several issues:

- Delays.
- Failure to properly apply data transfer rules.
- Lack of methodical project management.
- Functional quality fell short of SFL standards.
- Poorly defined final scope.

These issues led us to suspend the Cassiopae project and perform an audit in order to:

- Identify the cause(s) of the issues and shortfalls.
- Issue an objective opinion on the risks.
- Determine the conditions, means and resources required to carry out the project.

The audit report is expected to be released in first-quarter 2015.

e) Information system: milestone review and update on the migration process

In 2012, the Company decided to replace its information system based on the ESTIA business process software.

The ageing system uses obsolete technology and cannot not be upgraded to meet the emerging needs of the Company's new disciplines.

The recommended solution is a best-in-breed information system.

In September 2012, four leading property management software companies 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 applications of the same generation as ESTIA – SOPRA's Altaix software and SAP RE distributed by Aareon – were also considered due to the stature of their publishers.

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, the 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).
- Val Informatique's Ammon accounting software.
- An analytical environment based on the QlikView Business Discovery platform.

The initial objective was for the new system to come on-stream in the first half of 2014, according to a deployment plan organised around the following main phases:

- An alignment phase, that was completed on schedule at the end of March 2013.
- An acceptance, migration and applications phase, which is around 30% completed.
- 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 issues or overruns 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 embracing the product.
4. Risk of budget overruns due to certain needs being poorly defined or left out of the original specifications.
5. Risk of the project being abandoned at the end of the probationary period on 31 August (this risk no longer exists).

Note that currently there are only two suppliers of property management software, SOPRA and Cassiopae, which means that in the short-term, few alternatives to the selected software solution exist.

This leaves three options:

- Successfully complete the project (this is still our preference):
 - New contract defining the conditions and necessary resources.
 - Roll-out beginning in April 2016, possibly in several stages, to be defined.

- Suspend the project ahead of a while awaiting finalisation of the qualitative specifications:
 - ESTIA is retained,
 - Roll-out beginning in April 2017 (working hypothesis)
- Terminate the project and switch to SOPRA, the only other currently available option.
 - ESTIA remains in place until delivery.

Note that current operating conditions ensure that ESTIA will remain in service and deliver the same quality of service, both in the user environment and software maintenance.

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.

The Audit Committee 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 2014, at the end of the first half of 2014.

2.3.3 The Audit Committee’s role 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.
- Investor relations and EPRA recommendations in this area.
- The Company’s risk map and internal audit processes.

KPMG’s assessment showed that the 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.

These practices have to be pursued 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 22 April 2015

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 2014.
- Auditors' report on the consolidated financial statements for the year ended 31 December 2014.
- Auditors' special report on agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code and approval of those agreements.
- Auditors' special report on commitments governed by Article L.225-42-1 of the French Commercial Code.
- Approval of the Company financial statements for the year ended 31 December 2014.
- Approval of the consolidated financial statements for the year ended 31 December 2014.
- Appropriation of profit for the year ended 31 December 2014.
- Re-election as a director of Angels Arderiu Ibars.
- Re-election as a director of Anne-Marie de Chalambert.
- Re-election as a director of Jacques Calvet.
- 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 2014.
- Advisory vote on the components of the remuneration due or awarded to Bertrand Julien-Laferrière, Chief Executive Officer, for the year ended 31 December 2014.
- 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.
- Delegation of competence to be given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.

- Delegation of competence to be given 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.
- Delegation of competence to be given 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.
- Authorisation to be 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.
- Authorisation to be 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.
- Delegation of competence to be given 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.
- Delegation of powers to be given to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed equity securities or securities with rights to shares of another company, other than in connection with a public exchange offer made by the Company.
- Blanket ceiling on financial authorisations.
- Authorisation to be given to the Board of Directors to grant performance shares to eligible employees and corporate officers.
- Delegation of competence to be given to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.
- Delegation of competence to be given to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights for existing shareholders.
- Authorisation to be given to the Board of Directors to reduce the capital by cancelling treasury shares.
- Amendment to Article 18 of the Articles of Association: change in the age limit for holding office as Chairman.
- Amendment to Article 25 of the Articles of Association: modification of the record date and the method of determining the list of persons eligible to participate in General Meetings.
- Amendment to Article 29 of the Articles of Association: decision not to grant double voting rights in accordance with Article L.225-123-3 of the French Commercial Code.
- Powers to carry out formalities.

ORDINARY RESOLUTIONS

FIRST ORDINARY RESOLUTION

(Approval of the Company financial statements for the year ended 31 December 2014)

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 2014 as presented, showing net profit of €31,476,110.47, 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 2014)

The Annual General Meeting, having considered the Group management report included in 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 2014 as presented, as well as the transactions reflected in these financial statements and described in the Group management report included in the Board of Directors' management report.

THIRD ORDINARY RESOLUTION

(Appropriation of profit for the year ended 31 December 2014)

The Annual General Meeting:

- Notes that net profit for the year, after tax and provision charges, amounts to €31,476,110.47.
- 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 2014	€31,476,110.47
Retained earnings brought forward from the prior year	€915,525.10
Profit available for distribution	€32,391,635.57

- Approves the recommendation of the Board of Directors and resolves to pay to shareholders a dividend per share of €1.40, representing a total payout of €65,140,563.60 based on the 46,528,974 shares outstanding at 31 December 2014.

- Resolves therefore to:

- Distribute the total profit available for distribution of €32,391,635.57, and
- Deduct €32,748,928.03 from the share premium account for distribution to shareholders, reducing this account from €839,667,295.43 to €806,918,367.40.

In the case of any increase in the number of shares with rights to the 2014 dividend compared with the 46,528,974 shares outstanding at 31 December 2014, 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 net of profit available for distribution.

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 29 April 2015.

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 €1.40 per share, €0.68 will qualify as securities income governed by Article 158-3-1 of the French Tax Code (based on 46,528,974 shares) and €0.72 will be classified as a return of capital governed by Article 112-1 of the Code.

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

In principle, where the dividend is paid to an individual shareholder who is resident in France for tax purposes, according to Article 117 *quater* of the French Tax Code, the portion that is classified as securities income will be subject to withholding tax at the rate of 21%.

In accordance with Articles 119 *bis* and 187 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), 15% (dividends invested in a French OPCVM, OPCI, SICAF or other equivalent French or foreign investment fund), 30% (residents of other countries) or 75% (dividends paid outside France in “uncooperative” countries or jurisdictions within the meaning of Article 238A of the Code).

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.

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 (shareholders resident in France)	Portion of the dividend qualifying as a return of capital	Total dividend
2011	€1.40	€0.39	€1.01		€65,140,563.60
	€0.70	€0.70			€32,570,281.80
2012	€1.40	€0.61		€0.79	€65,140,563.60
	€0.70	€0.70			€32,570,281.80
2013	€1.40		€0.27	€1.13	€65,140,563.60
	€0.70				€32,570,281.80

Shareholders also approved payment of a special distribution of €0.70 per share at the General Meeting of 14 November 2014.

FOURTH ORDINARY RESOLUTION
(Auditors’ special report on agreements governed by Articles L.225-38 *et seq.* of the French 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
(Auditors’ special report on commitments governed by Article L.225-42-1 of the French Commercial Code)

The Annual General Meeting, having considered the Auditors’ special report on commitments governed by Article L.225-42-1 of the French Commercial Code, notes the information contained in the report and approves the commitments referred to therein that were given to Nicolas Reynaud, Chief Executive Officer, by decision of the Board of Directors on 27 January 2015.

SIXTH ORDINARY RESOLUTION
(Re-election as a director of Angels Arderiu Ibars)

The Annual General Meeting, having noted that Angels Arderiu Ibars’ 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 2017.

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 2015.

EIGHTH 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 the 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 2015.

NINTH 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 positive advisory vote 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 section 3.3 of the Management Report (including Appendix 7.5 – Chairman's Report on Corporate Governance and Internal Control) presented by the Board of Directors for the year ended 31 December 2014.

TENTH ORDINARY RESOLUTION (Advisory vote on the components of the remuneration due or awarded to Bertrand Julien-Laferrrière, 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 positive advisory vote on the components of the remuneration due or awarded to Bertrand Julien-Laferrrière in his capacity as Chief Executive Officer, as described in section 3.3 of the Management Report (including Appendix 7.5 – Chairman's Report on Corporate Governance and Internal Control) presented by the Board of Directors for the year ended 31 December 2014.

ELEVENTH 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 fifteenth ordinary resolution of the General Meeting of 24 April 2014 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 French securities regulator (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, hold or transfer, in one or several transactions, shares representing up to 10% of the Company's issued

capital as of the date of this Meeting, as adjusted if applicable to take into account any capital increases or reductions that may take place after this Meeting, subject to the following restriction:

- The shares may not be bought back at a price in excess of €60 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 2014, the total amount invested in the share buy-back programme will represent a maximum of €279,173,880 corresponding to 4,652,898 ordinary shares. This maximum will be adjusted, if necessary, to reflect the number of shares outstanding at the date of this Meeting.

3. That this authorisation is given for 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 shares may be bought back or transferred 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 statutory 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 set up

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 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 this Annual Meeting authorising the Board of Directors to reduce the capital.
- And, more generally, to carry out any hedging or other transaction leading to an obligation to deliver shares that is permitted or that may be permitted in the future 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, demerger or asset contribution may not exceed 5% of the issued capital as determined on the transaction date.

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.

TWELFTH 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

(Delegation of competence given to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-132 to L. 225-134 and L. 228-91 *et seq.*:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the first extraordinary resolution of the General Meeting of 18 April 2013.
2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide the issue of ordinary shares and securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate or deferred rights to preference shares.
3. That the aggregate par value of ordinary shares issued under this delegation of competence, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000, not including the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.
4. That the securities with rights to ordinary shares issued under this delegation of competence may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

The life of debt securities with rights to ordinary shares shall not exceed fifty years, although this delegation of competence may also be used to issue undated debt securities. It may be used to issue fixed and/or floating rate or zero coupon debt securities. The securities may be redeemable in advance at par or at a premium, or repayable in instalments. They may also be bought back on the market or through a cash or exchange offer made by the Company.

5. That this delegation of competence automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation of competence.

6. That shareholders shall have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this resolution, pro rata to their existing shareholdings. The terms and conditions under which this pre-emptive right may be exercised will be set by the Board of Directors in accordance with the applicable laws. The Board of Directors may also give shareholders a pre-emptive right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned.

If the entire issue is not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, the Board of Directors may take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up; or (ii) freely allocate all or some of the unsubscribed shares or securities; or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or abroad and/or on the international market.

7. That the Board of Directors shall have full powers to use this delegation of competence and to:
 - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
 - Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on

the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.

- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
- At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
- If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SECOND EXTRAORDINARY RESOLUTION

(Delegation of competence given to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.225-136, and Articles L.228-91 *et seq.* of the Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the second extraordinary resolution of the General Meeting of 18 April 2013.
2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to issue ordinary shares and securities with immediate or deferred rights to ordinary shares, on one or several occasions, for the amounts and in the periods of its choice, in France or abroad by means of a public offer without pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate or deferred rights to preference shares.

Any public offers decided pursuant to this resolution may be linked – in a single issue or several simultaneous issues – to offers governed by Article L.411-2-II of the French Monetary and Financial Code.

3. That the aggregate par value of ordinary shares issued under this delegation of competence, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed €100,000,000, not including the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.
4. That the securities with rights to ordinary shares issued under this delegation of competence may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

5. That this delegation of competence automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation of competence.
6. That shareholders shall not have a pre-emptive right to subscribe for the shares or securities with rights to shares issued under this resolution. However, the Board of Directors may grant shareholders a non-transferable priority subscription right, exercisable pro rata to their existing shareholdings. In addition, shareholders may be given a non-transferable priority right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned. The terms and conditions under which these priority rights may be exercised will be set by the Board of Directors in accordance with the applicable laws. Ordinary shares and securities with rights to ordinary shares not taken up by shareholders exercising their priority right will be placed on the market in France and/or abroad and/or on the international market.

7. That if the issue is not taken up in full, including by shareholders, the Board of Directors may take either or both of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice:

- Limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up, and/or
- Freely allocate all or some of the unsubscribed shares and/or securities with rights to shares.

8. That the amount received or to be received by the Company for each of the shares and securities with rights to shares issued or to be issued under this delegation of competence – in the case of equity warrant issues, after taking into account the warrants' issue price – shall be at least equal to the minimum price provided for in the laws and/or regulations in force on the issue date, whether or not the securities to be issued immediately or on a deferred basis are fungible with existing equity instruments.

9. That:

- a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.
- b) The issue price of securities with rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

10. That the Board of Directors shall have full powers to use this delegation of competence and to:

- Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
- Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.

- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.

- At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.

- If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

THIRD EXTRAORDINARY RESOLUTION

(Delegation of competence given to the Board of Directors to issue ordinary shares or securities with immediate or deferred 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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.225-136, and Articles L.228-91 *et seq.* of the Code, as well as Article L.411-2-II of the Monetary and Financial Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the third extraordinary resolution of the General Meeting of 18 April 2013.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to issue, on one or several occasions, for the amounts and in the periods of its choice, in France or abroad by means of an offer governed by Article L.411-2 II of the French Monetary and Financial Code (i.e. an offer to (i) a third party portfolio manager or (ii) qualified investors or a restricted group of investors that are investing their own funds), ordinary shares and securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate or deferred rights to preference shares.

3. That the aggregate par value of ordinary shares issued under this delegation of competence, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed €100,000,000, not including the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.
4. That the number of shares issued pursuant to this delegation of competence in any 12-month period shall not represent more than 20% of the Company's issued capital, said period being calculated from the date of each successive issue. The Board of Directors would check that the 20% limit had not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.
5. That the securities with rights to ordinary shares issued under this delegation of competence may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies. The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, sixth and seventh extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.
6. That this delegation of competence automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation of competence.
7. That shareholders shall not have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this delegation of competence.
8. That if the issue is not taken up in full, including by shareholders, the Board of Directors may take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice:
 - Limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up, or
 - Offer all or some of the unsubscribed shares to the public, on the French or a foreign market, or
 - Freely allocate all or some of the unsubscribed securities.
9. That:
 - a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.
 - b) The issue price of any securities with rights to ordinary shares shall be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a) above, adjusted as necessary to take into account differences in cum dividend dates.
10. That the Board of Directors shall have full powers to use this delegation of competence and to:
 - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
 - Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.
 - Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
 - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
 - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

FOURTH EXTRAORDINARY RESOLUTION

(Authorisation given to the Board of Directors, for issues of ordinary shares and securities with rights to shares, without pre-emptive subscription rights, through a public placement or an offer 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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-136 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the fourth extraordinary resolution of the General Meeting of 18 April 2013.
2. Give the Board of Directors a 26-month authorisation from the date of this Meeting, for each issue decided pursuant to the second and third extraordinary resolutions, provided that the number of shares issued in any given 12-month period does not exceed 10% of the Company's issued capital at the date of this Meeting, to set the issue price of the ordinary shares and/or securities with rights to ordinary shares issued through a public placement or an offer governed by Article L.411-2-II of the French Monetary and Financial Code on the basis stipulated below:
 - a) Ordinary shares will be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.
 - b) The issue price of debt securities with rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

The aggregate par value of shares issued directly or indirectly under this authorisation will be deducted from the amount by which the capital may be increased under the second and third extraordinary resolutions.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

FIFTH EXTRAORDINARY RESOLUTION

(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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-135-1 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the fifth extraordinary resolution of the General Meeting of 18 April 2013.
2. Give the Board of Directors a 26-month authorisation from the date of this Meeting to decide, for any issue carried out pursuant to the first, second and third extraordinary resolutions that is over-subscribed, to increase the number of securities to be issued in order to grant a greenshoe option in line with market practice, in accordance with the above Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SIXTH EXTRAORDINARY RESOLUTION

(Delegation of competence given 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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-2, L.225-148 and L.228-92 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the sixth extraordinary resolution of the General Meeting of 18 April 2013.
2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to use the second extraordinary resolution to issue – without pre-emptive subscription rights – ordinary shares or securities with immediate and/or deferred rights to ordinary shares in payment for shares tendered to a public exchange offer or an alternative cash or exchange offer for the shares of another company traded on one of the regulated markets referred to in the above Article L.225-148 made by SFL in France or in another country under local rules.

The aggregate par value of ordinary shares issued under this delegation of competence, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed €100,000,000, not including the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms, and will be deducted from the amount by which the capital may be increased under the second and third extraordinary resolutions.

3. That the securities with rights to ordinary shares issued under this delegation of competence may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, third and seventh extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

4. That this delegation of competence automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation of competence.

5. That the Board of Directors shall have full powers to carry out public exchange offers under this delegation of competence and to:

- Set the exchange ratio and any cash payment to be made if application of the exchange ratio results in rights to fractions of shares.
- Set the terms and conditions of issue and the characteristics of securities issued under this delegation of competence.
- Place on record the number of securities tendered to the offer.
- Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares or, if applicable, the securities with immediate or deferred rights to ordinary shares.

- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations.
- Record in a "share premium" account in equity, to which all shareholders shall have rights, the difference between the issue price of the new shares and their par value.
- Charge against said premium all costs and fees incurred in connection with the offer.
- If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.
- Generally, take any and all appropriate measures and enter into any and all agreements to complete the authorised transaction, place on record the resulting capital increase(s) and amend the Articles of Association to reflect the new capital.

The Board may delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SEVENTH EXTRAORDINARY RESOLUTION
(Delegation of powers given 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)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-147 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the delegation of powers given in the seventh extraordinary resolution of the General Meeting of 18 April 2013.
2. To grant to the Board of Directors a 26-month delegation of powers from the date of this Meeting to use the second extraordinary resolution to issue ordinary shares or securities with immediate and/or deferred rights to ordinary shares, based on the report of the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147, in payment for shares or securities with rights to shares of another company that are contributed to the Company under a transaction not governed by Article L.225-148 of the French Commercial Code. To this end, the Extraordinary General Meeting resolves to waive, in favour of the contributing parties, the pre-emptive right of existing shareholders to subscribe for these ordinary shares or securities with rights to ordinary shares.

The aggregate par value of ordinary shares issued directly or on exercise of the rights attached to securities with rights to ordinary shares pursuant to this delegation of powers shall not exceed 10% of the Company's issued capital at the issue date.

3. That the securities with rights to ordinary shares issued under this delegation of powers may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, third and sixth extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on the issue of debt securities with rights to debt securities under the ninth extraordinary resolution of this Meeting and from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

4. That this delegation of competence automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation of competence.

5. That the Board of Directors shall have full powers to use this delegation of powers and to:

- Approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147.
- Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares or, if applicable, the securities with immediate and/or deferred rights to ordinary shares.
- At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.

- If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.
- Place on record the capital increases carried out under this delegation of powers, amend the Articles of Association to reflect the new capital, carry out any and all filing and other formalities and obtain any and all authorisations that are necessary to effect the contributions.

The Board may delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

EIGHTH EXTRAORDINARY RESOLUTION (Blanket ceiling on the authorisations)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, as a result of adopting the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions:

To set at €100,000,000 the aggregate par value of ordinary shares that may be issued directly or indirectly under the delegations of competence given in the first seven extraordinary resolutions. The par value of any ordinary shares to be issued in respect of adjustments made to protect the rights of holders of securities with rights to ordinary shares will be in addition to this ceiling.

NINTH EXTRAORDINARY RESOLUTION (Authorisation given to the Board of Directors to make share grants to eligible employees and officers of SFL)

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 second extraordinary resolution of the General Meeting of 24 April 2014.
- 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 French 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 or one year if this shorter period becomes authorised by law.

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 or one year if this shorter period becomes authorised by law.

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 could apply for the performance 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 French Commercial Code or under the share buyback programme authorised in the eleventh ordinary resolution of this Meeting pursuant to Article L.225-209 of the French 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 vest-

ing 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 to 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.

TENTH EXTRAORDINARY RESOLUTION
(Delegation of competence given to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums)

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves, in accordance with Articles L.225-129-2 and L.225-130 of the French Commercial Code and under the quorum and majority voting rules applicable to Ordinary General Meetings:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the tenth extraordinary resolution of the General Meeting of 18 April 2013.
2. To grant a 26-month delegation of competence to the Board of Directors from the date of this Meeting, to increase the capital on one or several occasions, for amounts and in periods to be decided by the Board, to be paid up by capitalising reserves, profits, share premiums or any other capitalisable amounts and issuing bonus shares or raising the par value of existing shares or both.
3. To give full powers to the Board of Directors to decide that rights to fractions of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the application regulations.

4. That the aggregate amount by which the capital may be increased under this delegation of competence shall not exceed €25,000,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is separate from the ceilings on issues of ordinary shares – directly or on exercise of rights attached to securities with rights to ordinary shares – carried out under the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions.

5. That the Board of Directors shall have full powers to use this delegation of competence and to:

- Set the amounts to be capitalised and decide on the accounts from which the funds will be transferred.
- Set the number of ordinary shares to be issued and/or the amount by which the par value of existing shares will be increased.
- Decide the future or retroactive date from which the new shares will carry rights or the increase in par value will be effective.
- Decide that any rights to fractions of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the applicable regulations.
- Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
- If applicable, charge the share issuance costs against one or several reserve accounts and deduct from said account(s) the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
- If applicable, have the new shares admitted to trading on a regulated market.
- Place on record the capital increases carried out under this delegation of competence, amend the Articles of Association to reflect the new capital, carry out any and all filing and other formalities and obtain any and all authorisations that are necessary to effect the capital increase.

The Board may delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

ELEVENTH EXTRAORDINARY RESOLUTION

(Delegation of competence given to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-2, L.225-129-6, L.225-138 I and II and L.225-138-1 of the French Commercial Code and Articles L.3332-18 *et seq.* of the French Labour Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the eleventh extraordinary resolution of the General Meeting of 18 April 2013.

2. To grant a 26-month delegation of competence to the Board of Directors, as from the date of this Meeting, to decide to increase the capital on one or several occasions, on dates and terms to be decided by the Board, by issuing ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of an SFL Group Employee Share Ownership Plan or by making grants of shares or of securities with rights to shares paid up by capitalising reserves, profits or share premiums, within the limits set in the applicable laws and regulations.

3. That the aggregate par value of ordinary shares that may be issued under this delegation of competence – directly or on exercise of rights attached to securities with rights to ordinary shares – shall not exceed €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is separate from the ceilings on issues of ordinary shares – directly or on exercise of rights attached to securities with rights to ordinary shares – carried out under the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions. If an issue is not taken up in full, the amount of the issue shall be reduced based on the number of shares or securities effectively subscribed.

4. To waive, in favour of Employee Share Ownership Plan members, the pre-emptive right of existing shareholders to subscribe for the ordinary shares or securities with rights to ordinary shares. In addition, this delegation of competence automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation of competence.

5. That:

- The discount offered under the Employee Share Ownership Plan shall be set at 20% of the average of the opening prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period is decided, or 30% of said average if the Plan's lock-up period set in accordance with Article L.3332-25 of the French Labour Code is at least 10 years. The Board of Directors may reduce this discount, at its discretion, in the case of an offer to members of a Group Employee Share Ownership Plan of shares or securities on the international market and/or outside France, to comply with any local laws. It may also replace all or part of the discount with a grant of ordinary shares or securities with rights to ordinary shares on the basis stipulated below.
- The Board of Directors may make grants of ordinary shares or securities with rights to ordinary shares, provided that the aggregate benefit resulting from these grants and the discount referred to above, if any, does not exceed the benefit that the Employee Share Ownership Plan members would have received if the shares or securities had been offered to them at a discount of 20%, or 30% if the Plan's lock-up period set in accordance with Article L.3332-26 of the French Labour Code is at least 10 years. In addition, the total benefit including the pecuniary value of the ordinary shares attributed without consideration, as determined based on the subscription price, must not exceed the legal limits.

6. That the Board of Directors shall have full powers to use this delegation of competence and to:

- Decide the characteristics, amount and terms of each issue of ordinary shares or securities with rights to ordinary shares and each grant of ordinary shares or other securities.
- Decide that the ordinary shares or securities will be offered for subscription either directly or through a corporate mutual fund.
- Draw up, in accordance with the law, the list of companies or other entities whose employees and retired employees will be eligible to subscribe for the ordinary shares or securities with rights to ordinary shares and, if applicable, to receive grants of ordinary shares or securities with rights to ordinary shares.
- Decide the nature and terms of the capital increase and the terms and conditions of the issue or share grant.
- Decide the conditions of eligibility in terms of period of service of employees and retired employees to subscribe for the ordinary shares or securities with rights to ordinary shares or to receive grants of ordinary shares or securities with rights to ordinary shares.
- Set the terms and conditions of the issues of ordinary shares or securities with rights to ordinary shares to be carried out under this authorisation, including the cum dividend date and the method of payment of the subscription price.
- Decide the opening and closing dates of the subscription periods.
- Place on record the capital increases based on the aggregate par value of the ordinary shares subscribed.

- Decide, if applicable, the type of securities to be granted, as well as the terms and conditions of grant.
- Determine, if applicable, the amounts to be capitalised within the limit specified above, the accounts from which said amounts are to be transferred, and the cum dividend date of the ordinary shares issued without consideration.
- At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
- Take all necessary measures to implement the capital increases, carry out any and all related formalities, including listing formalities for the new shares, amend the Articles of Association to reflect the new capital and generally do whatever else is necessary.

The Board may delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

TWELFTH 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:

1. To 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 will apply to an adjusted number of shares, if necessary to take into account any corporate actions carried out after this Meeting.
2. To 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. To give 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. To 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.

**THIRTEENTH EXTRAORDINARY RESOLUTION
(Amendment to Article 18 of the Articles of Association: change
in the age limit for holding office as Chairman)**

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves to amend the second paragraph of Article 18 of the Articles of Association to read as follows:

"The Chairman is required to retire from this function at the close of the Annual General Meeting called to approve the financial statements for the year of his 75th birthday."

The rest of Article 18 is unchanged.

**FOURTEENTH EXTRAORDINARY RESOLUTION
(Amendment to Article 25 of the Articles of Association:
modification of the record date and the method of determining
the list of persons eligible to participate in General Meetings)**

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves, in accordance with Article R.225-85-I of the French Commercial Code, to modify the record date and the method of determining the list of persons eligible to participate in General Meetings, and accordingly to amend Article 25-I of the Articles of Association to read as follows:

"I - General Meetings may be attended by all holders of shares that have been paid up to the extent called and are 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 second day preceding the date of the Meeting (the record date).

Shareholders, proxy holders 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 decide to provide shareholders with personal admission cards for General Meetings and require that they be shown prior to admittance."

The rest of Article 25 is unchanged.

**FIFTEENTH EXTRAORDINARY RESOLUTION
(Amendment of Article 29 of the Articles of Association:
decision not to grant double voting rights)**

The Extraordinary General Meeting, having considered the Board of Directors' report:

- Resolves, as allowed under Article L.225-123 (third paragraph) of the French Commercial Code, not to grant double voting rights (i) on fully paid-up shares registered in the name of the same shareholder for two years, and (ii) registered shares allocated to a shareholder in connection with a bonus share issue paid up by capitalising reserves, profits or share premiums, and
- Therefore resolves to add the following sentence at the end of the second paragraph of Article 29 of the Articles of Association:
"The Company's shares (including any bonus shares that may be allocated in connection with a bonus share issue paid up by capitalising reserves, profits or share premiums) do not qualify for double voting rights, as allowed under Article L.225-123 (third paragraph) of the French Commercial Code."

The rest of Article 29 is unchanged.

**SIXTEENTH 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 22 April 2015

We invite shareholders to vote the resolutions presented below, based on the quorum and majority voting rules applicable to extraordinary resolutions with the exception of the tenth extraordinary resolution for which the quorum corresponds to one fifth of the shares making up the issued capital and a simple majority vote by the shareholders present and represented is required.

Shareholders are asked to grant delegations of competence to the Board to issue ordinary shares and securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Company to swiftly take advantage of market opportunities. In light of the wide variety of financial instruments currently available and the rapidly changing market conditions, it is important for the Board to have the greatest possible flexibility in choosing the best type of issue.

The texts of the resolutions have been adjusted compared to those put to the vote in prior years to take into account the amendments to the French Commercial Code introduced in government order no. 2014-863 dated 31 July 2014.

Prior to the publication of this government order, all issues of securities with rights to new or existing shares or to debt securities required the prior approval of the Extraordinary General Meeting, even when they did not involve any potential increase in the Company's capital.

Under the new legislation, the Extraordinary General Meeting is only required to give its prior approval for issues of shares or securities with immediate rights to new shares (i.e. where the primary security is an equity security or a debt security with immediate rights to a new equity security) or deferred rights to new shares. Issues of securities with rights to existing equity securities or to debt securities require the prior approval of the Extraordinary General Meeting only when they could also lead to the issuance of new shares.

Issues of securities that do not lead to the immediate or deferred issuance of equity securities, but simply carry rights to debt securities and/or to existing equity securities, such that they do not involve any potential increase in the capital of the Company or its subsidiaries, could be decided by the Board of Directors at its sole discretion or by any person to whom the Board's powers are delegated in accordance with the law, or, in the case of issuance of debt securities governed by Article L.228-36-A of the French Commercial Code (i.e. types of debt securities not specifically

referred to in the other relevant articles of the Code), in accordance with the provisions of the Articles of Association or, if applicable, the issue agreement.

These delegations of competence would give the Board ample scope to act in all circumstances in the best interests of the Company, by deciding to issue ordinary shares and securities with rights to ordinary shares in France or abroad.

The delegations of competence are being sought for a period of 26 months from the date of the Meeting and would replace the unused portions of earlier delegations to the same effect.

Shareholders are also asked to grant additional delegations of competence. These delegations are dealt with in separate resolutions, which are necessary due to legal exceptions to the principle of a blanket delegation.

Specifically, shareholders are invited to grant delegations of competence or powers to the Board of Directors to issue ordinary shares and/or securities with rights to new ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Board to take up opportunities – especially by cancelling shareholders' pre-emptive rights – to carry out public offers and private placements in France, abroad and/or on international markets, based on the interests of the Company and shareholders. Depending on the type of securities, the issues could be denominated in euros or in foreign currencies, or in any monetary unit determined by reference to a basket of currencies.

I. DELEGATIONS OF COMPETENCE TO ISSUE ORDINARY SHARES AND SECURITIES WITH RIGHTS TO ORDINARY SHARES

In the first, second and third extraordinary resolutions, shareholders are asked to grant the Board of Directors a 26-month delegation of competence to issue, with or without pre-emptive subscription rights for existing shareholders, ordinary shares or securities with immediate or deferred rights to new ordinary shares, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-132, L.225-135, L.225-136 and L.228-92. The aggregate par value of ordinary shares issued under these delegations of competence would not exceed €100 million.

The Board considers it appropriate to exclude from these delegations of competence:

- Preference share issues,
- Issues of securities with immediate or deferred rights to preference shares.

Shareholders are therefore asked to specifically rule out preference share issues and issues of securities with immediate or deferred rights to preference shares.

I.1 ISSUES WITH PRE-EMPTIVE SUBSCRIPTION RIGHTS (first extraordinary resolution)

a) The first extraordinary resolution concerns a delegation of competence to issue ordinary shares and securities with immediate or deferred rights to new ordinary shares, with pre-emptive subscription rights for existing shareholders.

A decision to delegate competence to the Board to issue securities with deferred rights to ordinary shares, whatever the form of said rights, would automatically entail or could entail, depending on the case, the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to the securities, (although shareholders would have a pre-emptive right to subscribe for the securities).

In the first extraordinary resolution, the aggregate amount by which the capital could be increased during the 26-month period covered by the delegation of competence is capped at €100 million.

This ceiling does not take into account the effect on the amount of the capital increase of any adjustments that may be made to protect the rights of holders of rights attached to securities with rights to ordinary shares.

The aggregate nominal value of dated or undated, subordinated or unsubordinated debt securities that could be issued under the first extraordinary resolution – including securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities – would not exceed €2 billion or the equivalent (on the date the issue is decided) in foreign currency or in a monetary unit determined by reference to a basket of currencies. This ceiling does not include any redemption premiums payable on the securities.

This non-cumulative ceiling applies to all debt securities that may be issued under the first, second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on the issue of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

The life of debt securities with rights to ordinary shares would not exceed 50 years, although the delegation of competence could also be used to issue undated subordinated or unsubordinated notes. The authorisation could be used to issue fixed and/or floating rate or zero coupon debt securities, the securities could be redeemable in advance at par or at a premium, and they could also be repayable in instalments. In addition, the securities could be bought back on the market or through a cash or exchange offer made by the Company.

In accordance with Article L.228-97 of the French Commercial Code, the issue agreement could stipulate that the securities would be redeemable only after all of the Company's other creditors have been paid, including or excluding holders of participating securities; it could also stipulate a creditor ranking.

b) The issue price of securities with rights to ordinary shares would be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the par value of the Company's shares.

c) The terms and conditions under which shareholders' pre-emptive subscription rights could be exercised pro rata to their existing shareholding would be set by the Board of Directors in accordance with the applicable laws. The Board of Directors could also give shareholders a pre-emptive right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed this secondary pre-emptive right would also be exercisable pro rata to the existing shareholdings of the shareholders concerned. If the entire issue is not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, the Board of Directors could take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the issue is taken up; or (ii) freely allocate all or some of the unsubscribed shares or securities; or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or, if appropriate, abroad and/or on the international market.

d) On these bases, the Board of Directors would have the broadest powers to carry out the above issues, on one or several occasions and on all markets, in the best interests of the Company and its shareholders, to place the issue(s) on record and to amend the Articles of Association to reflect the new capital, to charge the issue costs against the premiums on the issued shares and deduct any amounts from said premiums to raise the legal reserve to one-tenth of the new capital, and to carry out any and all filing and other formalities and obtain any and all authorisations that may be necessary to carry out and complete the issues.

The Board of Directors would decide the characteristics, terms and conditions of each issue, set the subscription price of the shares or other securities, which may or may not include a premium, the method by which the issue price is to be paid up, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.

In accordance with the law, the Board of Directors could delegate the powers granted by shareholders under the first extraordinary resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to limits to be set by the Board.

I.2 ISSUES WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS THROUGH A PUBLIC OFFER (second extraordinary resolution)

a) In the interests of the Company and shareholders, the Board of Directors could in certain circumstances want to take up opportunities offered by the financial markets, by carrying out issues without pre-emptive subscription rights. This is why, in the second extraordinary resolution, the Board is seeking a 26-month delegation of competence to issue ordinary shares or securities with rights to new ordinary shares without pre-emptive subscription rights for existing shareholders. The resolution includes a cap on the amount of the issues which would be subject to the same conditions as for issues under the first extraordinary resolution and the specific conditions specified in points b) and e) below.

The ordinary shares or securities with immediate or deferred rights to ordinary shares would be issued through public offers.

Any such public offers could be linked – in a single issue or several simultaneous issues – to private placements governed by Article L.411-2 II of the French Monetary and Financial Code that may be decided pursuant to the third extraordinary resolution of this Meeting.

The aggregate nominal value of debt securities issued under the second extraordinary resolution would be capped at €2 billion; this amount would not be cumulative with the amount authorised in the first extraordinary resolution and, as for that resolution, would not include any redemption premiums that may be decided.

This non-cumulative ceiling applies to all debt securities that may be issued under the first, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on the issue of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

b) If shareholders grant this delegation of competence to the Board of Directors and, accordingly, waive their pre-emptive subscription rights, the issue price of any ordinary shares issued under the resolution would be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

This amount would also be the reference price for determining the issue price of securities with deferred rights to ordinary shares: said issue price would be set in such a way that the amount received immediately by the Company plus the amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the above amount, adjusted as necessary to take into account differences in cum dividend dates.

On these bases, the Board of Directors would set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders taking into account all relevant parameters. These would include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities.

In accordance with Article R.225-119 of the French Commercial Code (adopted in application of Article L.225-136 of the Code), the new ordinary shares would not be issued at a discount of more than 5% to the weighted average share price for the three trading sessions immediately preceding the pricing date.

However, if shareholders adopt the fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period the Board could choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.4 below).

c) On these bases, the Board would have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue as explained above in the section dealing with the first extraordinary resolution.

The securities would be placed in accordance with market practices on the issue date. The Board is nevertheless asking shareholders for an authorisation to grant shareholders a non-transferable priority subscription right – if circumstances permit – possibly including a priority right to subscribe for securities not taken up by other shareholders. The conditions of exercise of this right would be determined by the Board in accordance with the law.

If the issue is not taken up in full, including by shareholders, the Board of Directors could (i) limit the amount of the issue to the subscriptions received, provided that the legal conditions are fulfilled, or (ii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

d) Shareholders should note that under this delegation of competence the Board would be authorised to take all other necessary measures in connection with or as a result of the issues. These measures, which are described above in the section dealing with the first extraordinary resolution, include amending the Articles of Association to reflect the new capital.

e) In accordance with the law, the Board of Directors could delegate authority for deciding issues to be carried out under the second extraordinary resolution, on the same basis as for the first extraordinary resolution (see above).

I.3 ISSUES WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS THROUGH A PRIVATE PLACEMENT (third extraordinary resolution)

a) In the interests of the Company and shareholders, the Board of Directors could in certain circumstances want to take up opportunities offered by the financial markets, by carrying out issues without pre-emptive subscription rights.

This is why, in the third extraordinary resolution, the Board is seeking a 26-month delegation of competence to issue ordinary shares or securities with rights to new ordinary shares without pre-emptive subscription rights for existing shareholders. The resolution includes a cap on the amount of the issues which would be subject to the same conditions as for issues under the first extraordinary resolution and the specific conditions specified in points b) and e) below.

The ordinary shares or securities with immediate or deferred rights to ordinary shares would be issued through a private placement governed by Article L.411-2 II of the French Monetary and Financial Code and would be limited to the equivalent of 20% of the issued capital per 12-month period, as calculated from the date of each successive issue. The Board of Directors would check that the 20% limit had not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

The private placements could be linked – in a single issue or several simultaneous issues – to public offers that may be decided pursuant to the second extraordinary resolution of this Meeting.

The aggregate nominal value of debt securities issued under the third extraordinary resolution would be capped at €2 billion; this amount would not be cumulative with the amount authorised in the first extraordinary resolution and, as for that resolution, would not include any redemption premiums that may be decided.

This non-cumulative ceiling applies to all debt securities that may be issued under the first, second, sixth and seventh extraordinary resolutions tabled at this Meeting, but is separate from the ceiling on the issue of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

b) The issue price of ordinary shares would be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

This amount would also be the reference price for determining the issue price of securities with deferred rights to ordinary shares: said issue price would be set in such a way that the amount received immediately by the Company plus the amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the above amount, adjusted as necessary to take into account differences in cum dividend dates.

On these bases, the Board of Directors would set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders taking into account all relevant parameters. These would include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities.

In accordance with Article R.225-119 of the French Commercial Code (adopted in application of Article L.225-136 of the Code), the new ordinary shares would not be issued at a discount of more than 5% to the weighted average share price for the three trading sessions immediately preceding the pricing date.

However, if shareholders adopt the fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period the Board could choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.4 below).

c) On these bases, the Board would have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue as explained above in the section dealing with the first extraordinary resolution.

The securities would be placed in accordance with market practices on the issue date. The Board is nevertheless asking shareholders for an authorisation to grant shareholders a non-transferable priority subscription right – if circumstances permit – possibly including a priority right to subscribe for securities not taken up by other shareholders. The conditions of exercise of this right would be determined by the Board in accordance with the law.

If the issue is not taken up in full, including by shareholders, the Board of Directors could (i) limit the amount of the issue to the subscriptions received, provided that the legal conditions are fulfilled, (ii) place the shares or securities with rights to shares on the market in France and/or abroad and/or on the international market, or (iii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

d) Shareholders should note that under this delegation of competence the Board would be authorised to take all other necessary measures in connection with or as a result of the issues. These measures, which are described above in the section dealing with the first extraordinary resolution, include amending the Articles of Association to reflect the new capital.

e) In accordance with the law, the Board of Directors could delegate authority for deciding issues to be carried out under the third extraordinary resolution, on the same basis as for the first extraordinary resolution (see above).

I.4 ISSUES WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS: DETERMINATION OF THE ISSUE PRICE BY THE BOARD OF DIRECTORS BY THE METHOD DECIDED BY SHAREHOLDERS (fourth extraordinary resolution)

In accordance with the alternative rules introduced in Article L.225-136 of the French Commercial Code, the Board of Directors is seeking a 26-month authorisation (i) to decide not to apply the pricing rules specified by law, as described above, and (ii) to set the price of ordinary shares and securities with rights to ordinary shares issued through a public offer or a private placement governed by Article 411-2 II of the French Financial and Monetary Code by the method described below. This exception would apply only to ordinary share issues representing no more than 10% of the capital (at the date of this Meeting) carried out in any 12-month period under the delegations of competence given in the second and third extraordinary resolutions. For these issues, the following pricing rules would apply:

i) Ordinary shares would be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.

ii) The issue price of debt securities with rights to ordinary shares would be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in i), adjusted as necessary to take into account differences in cum dividend dates.

This authorisation would give the Board of Directors greater flexibility in pricing public placements of ordinary shares issued without pre-emptive subscription rights and thereby increase the chances of the issue being a success.

The aggregate par value of shares issued directly or indirectly under this authorisation would be deducted from the amount by which the capital could be increased under the second and third extraordinary resolutions.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

If and when the authorisation given in the fourth extraordinary resolution was used, the Board and the Auditors would report to shareholders on the final terms of the issue and on the estimated impact on the situation of existing shareholders.

I.5 SHARE ISSUE WITH OR WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS: AUTHORISATION TO BE GIVEN TO THE BOARD TO INCREASE THE NUMBER OF SHARES TO BE ISSUED (fifth extraordinary resolution)

In accordance with the rules introduced in Article L.225-135-1 of the French Commercial Code, in the fifth extraordinary resolution the Board of Directors is seeking an authorisation to decide, for all issues carried out pursuant to the first, second and third extraordinary resolutions, to increase the number of shares offered for subscription, on the basis allowed under Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded. This authorisation would enable the Board to offer additional shares on the same terms as for the original offer, by permitting the exercise of a greenshoe option in the event that an offer is over-subscribed.

In accordance with Article R.225-118 of the French Commercial Code, the Board of Directors would be authorised to decide, within thirty days of the close of the original subscription period for each issue decided pursuant to the first, second and third extraordinary resolutions, to increase the number of shares offered by up to 15% compared to the original offer, provided that this does not result in the ceiling set in the relevant resolution being exceeded.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

I.6 ISSUES OF SECURITIES CARRYING THE RIGHT TO DEBT SECURITIES (tenth extraordinary resolution)

The tenth extraordinary resolution concerns a delegation of competence sought by the Board to increase the capital by capitalising reserves, profits or share premiums. This type of transaction, which does not necessarily lead to the issuance of new ordinary shares, is governed by specific legal provisions contained in Article L.225-130 of the French Commercial Code. The delegation of competence is subject to the quorum and majority voting rules applicable to Ordinary General Meetings, which is why a separate resolution is being tabled.

The 26-month delegation of competence would enable the Board of Directors to decide to increase the capital by up to €25 million through one or several transactions. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is separate from the ceilings set in the first seven extraordinary resolutions.

The Board of Directors would have full powers to decide the items and amounts to be capitalised, as well as the method to be used to effect the capital increase (increase in the par value of shares and/or bonus share issue), to place on record each capital increase and amend the Articles of Association to reflect the new capital, and to make any and all adjustments required by law.

If the capital increase is carried out by issuing bonus shares, with future or retroactive dividend rights, the Board could decide that rights to fractions of shares are non-transferable, and that the corresponding shares would be sold, in which case the sale proceeds would be allocated among holders of rights to fractions of shares within the period stipulated in the applicable regulations.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II. SPECIFIC AUTHORISATIONS

II-1 ISSUE OF SECURITIES IN CONNECTION WITH A PUBLIC EXCHANGE OFFER MADE BY THE COMPANY (sixth extraordinary resolution)

A delegation of competence is being sought in accordance with Article L.225-148 of the French Commercial Code to allow the Board to use the authorisation given in the second extraordinary resolution to issue ordinary shares and securities with rights to ordinary shares in payment for shares tendered to a public exchange offer by SFL for the shares of another company traded on a regulated market in a country that is a member of the European Economic Area or of the OECD.

The procedure allows shares to be exchanged without SFL being required to apply the procedures applicable to contributions of shares or other securities.

The rules described in the above section on the second extraordinary resolution would also apply to issues carried out under the sixth extraordinary resolution, except those concerning the issue price of ordinary shares or of securities with rights to ordinary shares, and the priority subscription right for existing shareholders. Existing shareholders would not have a pre-emptive right to subscribe for the new shares and shareholders are therefore asked to waive this right, on the same basis as under the second extraordinary resolution.

For each issue, the Board would be authorised to decide the type and characteristics of the ordinary shares or securities with rights to ordinary shares to be issued, the exchange ratio and the amount of any cash payment that would be due if application of the exchange ratio results in rights to fractions of shares. The amount of the capital increase would depend on the number of shares of the target tendered to the offer, taking into account the number of ordinary shares and securities with rights to ordinary shares issued and the exchange ratio.

The aggregate par value of ordinary shares issued under this delegation of competence, which is the subject of a special resolution, would be capped at €100 million. This amount is not cumulative

with the ceiling set in the second and third extraordinary resolutions concerning issues without pre-emptive subscription rights. It does not include the effect of any adjustments to be made to protect the rights of holders of securities with rights to ordinary shares.

The authorisation is being sought for a period of 26 months from the date of this Meeting.

II-2 ISSUES IN PAYMENT FOR SHARES OR SECURITIES WITH RIGHTS TO SHARES CONTRIBUTED TO SFL (seventh extraordinary resolution)

In accordance with the rules introduced in Article L.225-147 of the French Commercial Code, the seventh extraordinary resolution concerns a 26-month delegation of powers to be given to the Board of Directors to issue ordinary shares and securities with rights to new ordinary shares in payment for shares or securities with rights to shares contributed to the Company under transactions that are not governed by Article L.225-148 of the Code. Issues under this delegation of powers would be capped at 10% of the Company's capital at the issue date.

Shareholders would be required to waive their pre-emptive right to subscribe for the new shares or securities, in favour of the holders of the contributed shares or securities.

In addition, if the authorisation was used to issue securities with rights to ordinary shares, shareholders would automatically be considered as having waived their pre-emptive right to subscribe for the shares issued on exercise of said rights.

Issues under this authorisation would be deducted from the amount available under the blanket ceiling set in the eighth extraordinary resolution, for issues carried out under the first seven extraordinary resolutions.

If the seventh extraordinary resolution is used, the Board would be authorised to approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser(s) of capital contributions referred to in paragraphs 1 and 2 of Article L.225-147 of the Code, in the same way as if the transaction had been presented to shareholders for approval, and to place on record the capital increases carried out under the resolution. The Board could also reduce the value attributed to the contributed shares or securities or the remuneration of any benefits granted, with the agreement of the parties making the contribution.

The Board would be given the necessary powers to act on this authorisation and to amend the Articles of Association to reflect the resulting capital increase(s).

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II-3 BLANKET CEILING ON FINANCIAL AUTHORISATIONS (eighth extraordinary resolution)

Shareholders are asked to set at €100 million the aggregate par value of ordinary shares issued directly or indirectly under the authorisations given in the first seven extraordinary resolutions. The par value of any ordinary shares to be issued in respect of adjustments made to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms would be in addition to this ceiling.

II-4 SHARE ISSUES TO EMPLOYEES WHO ARE MEMBERS OF AN SFL EMPLOYEE SHARE OWNERSHIP PLAN (eleventh extraordinary resolution)

The Board of Directors is also seeking a delegation of competence to issue ordinary shares or securities with rights to new ordinary shares to employees and retired employees who are members of an Employee Share Ownership Plan set up by the SFL Group, or to make grants of ordinary shares or securities with rights to new ordinary shares, to be paid up by capitalising reserves, profits, share premiums or other items. These issues would be governed by the employee share ownership provisions of the French Commercial Code (Articles L.225-129-6, L.225-138 I and II and L.225-138-1) and Labour Code (Articles L.3332-18 *et seq.*).

This authorisation is being sought for a period of 26 months. The aggregate par value of ordinary shares that could be issued under the authorisation – directly or on exercise of rights attached to securities with rights to ordinary shares – is capped at €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is cumulative with the ceilings on issues of ordinary shares – directly or on exercise of rights attached to securities with rights to ordinary shares – carried out under the first seven extraordinary resolutions.

The discount would be set at 20% or, if the lock-up period provided for in the plan in accordance with Article L.3332-25 of the Labour Code is 10 years or more, 30% of the average of the opening prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period is decided. However, shareholders could decide to authorise the Board to reduce the discount in the case of an offer to members of a Group Employee Share Ownership Plan of shares or securities on the international market and/or outside France, to comply with any local laws.

The Board would also be authorised to replace all or part of the discount with a free grant of ordinary shares or securities with

rights to ordinary shares. The terms of any such grant of ordinary shares or securities with rights to ordinary shares must comply with Article L.3332-26 of the French Labour Code.

If shareholders adopt this resolution, they would be required to waive their pre-emptive subscription rights to the ordinary shares or securities with rights to ordinary shares in favour of the employees and retired employees who are members of the Employee Share Ownership Plan. They would also be considered as having automatically waived their pre-emptive right to subscribe for shares to be issued to these employees and retired employees on exercise of the rights attached to securities with rights to ordinary shares.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II-5 AUTHORISATION TO CANCEL SFL SHARES HELD IN TREASURY (twelfth extraordinary resolution)

In relation to the eleventh 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 eleventh 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 18 April 2013 and 24 April 2014

If the resolutions tabled at this Meeting are voted by shareholders, the unused portions of the authorisations and delegations of competence given to the Board of Directors by the Extraordinary General Meetings of 18 April 2013 and 24 April 2014 will be automatically cancelled.

II-6 AUTHORISATION TO GRANT PERFORMANCE SHARES TO ELIGIBLE EMPLOYEES AND CORPORATE OFFICERS (ninth extraordinary resolution)

The Board of Directors is also seeking an authorisation to grant new or existing ordinary shares on the basis specified below, in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code. This authority could be delegated to any person designated by the Board.

This authorisation would cancel, with immediate effect, the unused portion of the authorisation given in the second extraordinary resolution of the General Meeting of 24 April 2014.

The grantees would be employees – or certain employee categories – and officers (*mandataires sociaux*) (as defined in Article L.225-197-1 II paragraph 1 of the French Commercial Code) of the Company and related companies and groupings within the meaning of Article L.225-197-2 of the Code.

This authorisation is being sought 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 would decide the vesting period applicable to each award, which would not be less than two years as from the award date or one year if this shorter period was allowed by law.

The Board of Directors would also set the lock-up period applicable to each award, which would not be less than two years as from the vesting date or one year if this shorter period was allowed by law.

However, the performance shares could 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 the event of death of a grantee, his or her heirs could apply for the performance shares to be allocated to them within six months of the date of death. Any performance shares that vested immediately in the event of a grantee's disability as explained above or that were transferred to a deceased grantee's heirs would become freely transferable with immediate effect.

The performance shares awarded under this resolution could be bought back in transactions governed by Article L.225-208 of the French Commercial Code or under the buyback programme authorised in the eleventh ordinary resolution of this Meeting pursuant to Article L.225-209 of the Code or any buyback programme applicable before or after this resolution is adopted.

This authorisation would automatically entail the waiver by existing shareholders of their pre-emptive right to subscribe for the ordinary shares to be issued in respect of vested performance share rights. In addition, if this authorisation resulted in a capital increase at the end of the vesting period, paid up by capitalising retained earnings, profits or share premiums, shareholders would automatically waive their right to the capitalised portion of retained earnings, profits or share premiums.

The Board of Directors is asking shareholders for full powers to implement this resolution within the limits specified above. These powers could be delegated to any person to whom the powers may be delegated pursuant to the law and the Board could be assisted by a committee made up of persons of its choice. Specifically, the Board would have the power to:

- Set the terms of the performance share plans 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 performance share rights to be awarded to each grantee, and the related terms and conditions.
- Decide the terms and conditions governing adjustments to the number of performance shares.
- 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 will report to shareholders at each Annual General Meeting on the transactions carried out under this resolution.

III. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

III-1 AMENDMENT TO ARTICLE 18 OF THE ARTICLES OF ASSOCIATION: CHANGE IN THE AGE LIMIT FOR HOLDING OFFICE AS CHAIRMAN (thirteenth extraordinary resolution)

Article 18 of the Articles of Association stipulates that the Chairman is required to retire from this function at the close of the Annual General Meeting called to approve the financial statements for the year of his 70th birthday.

The Board proposes raising the age limit for holding office as Chairman from 70 to 75 and amending Article 18 of the Articles of Association to reflect this change.

III-2 AMENDMENT TO ARTICLE 25 OF THE ARTICLES OF ASSOCIATION: MODIFICATION OF THE RECORD DATE AND THE METHOD OF DETERMINING THE LIST OF PERSONS ELIGIBLE TO PARTICIPATE IN GENERAL MEETINGS (fourteenth extraordinary resolution)

Article 25 of the Articles of Association needs to be aligned with Article R.225-85 of the French Commercial Code as amended by the decree of 8 December 2014 modifying the record date and the method of determining the list of persons eligible to participate in General Meetings.

We therefore propose amending Article 25 of the Articles of Association as required.

III-3 AMENDMENT TO ARTICLE 29 OF THE ARTICLES OF ASSOCIATION: DECISION NOT TO GRANT DOUBLE VOTING RIGHTS AS ALLOWED UNDER ARTICLE L.225-123 PARAGRAPH 3 OF THE FRENCH COMMERCIAL CODE (fifteenth extraordinary resolution)

Article 7 I of Act no. 2014-384 dated 29 March 2014 (the “Florange Act”) amended Article L.225-123 of the French Commercial Code applicable to companies whose shares are traded on a regulated market to provide for the automatic granting of double voting rights on all fully paid shares registered in the name of the same holder for at least two years, unless otherwise specified in the Articles of Association by decision of the shareholders adopted after the Act entered the statute books.

Article 7 III of the Act states that the two-year holding period is calculated as from the date when the Act came into effect.

Shareholders are invited to amend the Company’ Articles of Association to stipulate that no double voting rights will be granted on shares that are registered in the name of the same holder for two years and that the current “one share one vote” principle continues to apply. In light of the Company’s current ownership structure and resulting stable shareholder base, there does not appear to be any reason to introduce double voting rights.

We therefore proposed amending Article 29 of the Articles of Association as required.

Activities of the Company since 1 January 2015

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 2014

Total portfolio		Total surface area (sq.m.)	Offices (usable area, sq.m.)	Retail (usable area, sq.m.)
Owned properties		385,019	282,591	27,238
Properties under finance leases		9,185	8,086	
TOTAL AT 31 DECEMBER 2014		394,204	290,677	27,238
Owned properties				
1 st	Louvre Saint-Honoré	47,673	28,521	6,661
2 nd	#cloud.paris	33,187	26,799	
2 nd	6 Hanovre	4,607	2,952	
7 th	103 Grenelle	19,729	15,176	258
8 th	Washington Plaza	47,097	39,204	460
8 th	Hausmann Saint-Augustin	13,434	11,683	791
8 th	Galerie des Champs-Élysées	8,662		4,539
8 th	90 Champs-Élysées	8,680	7,699	981
8 th	Ozone (92, avenue des Champs-Élysées)	7,691	4,110	3,088
8 th	Cézanne Saint-Honoré	29,021	24,180	1,849
9 th	Condorcet	24,888	20,444	
9 th	Édouard VII	54,120	28,113	7,331
12 th	Rives de Seine	22,671	20,487	
16 th	96 Iéna	8,856	7,505	
17 th	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		385,019	282,591	27,238
Properties under finance leases				
17 th	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	6,364	36,000	21,682	3,514
				1,099		124
	3,125	8,019	6,364	37,099	21,682	3,638
				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
			1,562	1,616	1,266	50
	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	6,364	36,000	21,682	3,514
				1,099		124
				1,099		124

Consolidated Financial Statements for the year ended 31 December 2014

A – Consolidated Statement of Financial Position (P.148)

B – Consolidated Statement of Comprehensive Income (P.150)

C – Consolidated Statement of Changes in Equity (P.151)

D – Consolidated Statement of Cash Flows (P.152)

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VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income (P.162)

The financial statements were approved for publication by the Board of Directors on 11 February 2015.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 December 2014	31 December 2013	31 December 2012
Intangible assets	VI-1	2,277	1,884	813
Property and equipment	VI-2	22,695	22,760	23,338
Investment properties	VI-3	4,392,767	3,810,524	3,528,807
Investments in associates	VI-4	–	302,341	286,560
Non-current financial assets	VI-5	716	692	770
Other non-current assets	VI-6	6,713	6,884	5,352
Total non-current assets		4,425,168	4,145,084	3,845,640
Investment properties held for sale	VI-7	–	–	286,777
Inventories and work in progress		–	–	–
Trade and other receivables	VI-8	67,610	63,014	59,435
Other current assets	VI-9	1,310	1,594	1,417
Cash and cash equivalents	VI-10	17,091	29,032	24,918
Total current assets		86,011	93,639	372,547
Total assets		4,511,179	4,238,723	4,218,187

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 December 2014	31 December 2013	31 December 2012
Share capital		93,058	93,058	93,058
Reserves		2,034,009	1,974,378	1,760,385
Profit for the year		197,737	147,259	283,189
Equity attributable to owners of the parent		2,324,803	2,214,695	2,136,632
Non-controlling interests		268,571	230,871	198,031
Total non-controlling interests		268,571	230,871	198,031
Total equity	VI-11	2,593,374	2,445,566	2,334,663
Long-term borrowings and derivative instruments	VI-12	1,592,412	1,345,323	1,507,746
Long-term provisions	VI-13	1,112	582	1,861
Deferred tax liabilities	VI-14	156,174	133,902	117,060
Accrued taxes	VI-15	5,596	9,107	1,717
Other non-current liabilities	VI-16	15,489	15,575	14,715
Total non-current liabilities		1,770,783	1,504,490	1,643,099
Trade and other payables	VI-17	40,147	36,481	42,638
Short-term borrowings and other interest-bearing debt	VI-12	69,785	216,260	154,972
Short-term provisions	VI-13	442	484	316
Other current liabilities	VI-18	36,647	35,443	42,499
Total current liabilities		147,021	288,668	240,425
Total equity and liabilities		4,511,179	4,238,723	4,218,187

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2014	2013	2012
Property rentals		151,508	149,315	150,202
Property expenses, net of recoveries		(11,863)	(12,298)	(12,391)
Net property rentals	VI-19	139,645	137,017	137,811
Service and other revenues	VI-20	–	29	437
Other income	VI-21	1,932	2,479	3,581
Depreciation and amortisation expense	VI-22	(1,011)	(1,018)	(850)
Provision (expense)/reversals, net	VI-23	196	1,411	(60)
Employee benefits expense	VI-24	(11,617)	(11,599)	(11,187)
Other expenses	VI-25	(7,615)	(8,476)	(7,252)
Profit on disposal of other assets	VI-26	8,475	–	–
Profit/(loss) on disposal of investment properties		–	(196)	(4)
Fair value adjustments on investment properties	VI-27	227,542	145,310	236,260
Operating profit		357,547	264,957	358,736
Share of profits/(losses) of associates	VI-28	(2,176)	20,969	20,967
Finance costs and other financial expenses	VI-29	(63,546)	(64,268)	(70,825)
Financial income	VI-29	7,715	11,184	14,816
Fair value adjustments on value of financial instruments	VI-30	(30,791)	(18,158)	(16,028)
Discounting adjustments to receivables and payables		(374)	598	(163)
Change in provision for financial assets, net	VI-31	–	–	–
Profit before income tax		268,375	215,282	307,503
Income tax expense	VI-32	(28,147)	(32,585)	(8,050)
Profit for the year		240,228	182,696	299,453
Attributable to owners of the parent		197,737	147,259	283,189
Attributable to non-controlling interests	VI-33	42,491	35,437	16,264
Other comprehensive income				
Actuarial gains and losses	VI-13	(444)	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		(444)	84	–
Valuation gains and losses on financial instruments (cash flow hedges)	VI-30	5,034	24,036	(13,076)
Deferred tax impact of valuation gains and losses on financial instruments	VI-32	1,375	(535)	(138)
Items in the accounts of associates that may be reclassified subsequently to profit or loss	VI-4	1,980	3,879	–
Items that may be reclassified subsequently to profit or loss		8,389	27,380	(13,215)
Other comprehensive income		7,945	27,464	(13,215)
Comprehensive income		248,173	210,160	286,238
Attributable to owners of the parent		206,991	174,214	269,974
Attributable to non-controlling interests		41,182	35,946	16,264
Earnings per share	VI-34	€4.29	€3.20	€6.14

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 year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2012	93,058	1,030,630	22,621	(18,289)	(39,666)	765,090	283,189	2,136,632	198,031
Movements for the year									
Profit for the year							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
Movements for the year									
Profit for the year							197,737	197,737	42,491
Other comprehensive income, net of tax					9,698	(444)		9,254	(1,309)
Comprehensive income					9,698	(444)	197,737	206,991	41,183
Appropriation of profit		44,549				102,710	(147,259)	–	
Treasury share transactions				703				703	
Gains and losses on sales of treasury shares				(986)				(986)	
Share-based payments						443		443	
Dividends paid to owners of the parent		(129,064)				32,254		(96,810)	(3,483)
Other adjustments						(232)		(232)	
Equity at 31 December 2014	93,058	839,668	22,621	(18,517)	(3,097)	1,193,334	197,737	2,324,803	268,571

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2014	2013	2012
Cash flows from operating activities				
Profit for the year attributable to owners of the parent		197,737	147,259	283,189
Fair value adjustments on investment properties	VI-27	(227,542)	(145,310)	(236,260)
Depreciation and amortisation expense (excluding impairment)	VI-22	1,011	1,018	850
Net additions to/(reversals of) provisions		44	(1,027)	81
Net (gains)/losses from disposals of assets, after tax	IV-1	(8,475)	196	4
Discounting adjustments and valuation (gains)/losses on financial instruments		31,165	17,560	16,191
Deferral of rent-free periods	VI-19	(10,230)	(4,231)	(1,250)
Employee benefits	VI-24	443	570	329
Share of (profits)/losses of associates	VI-4	2,176	(20,969)	(20,967)
Non-controlling interests in profit for the year	VI-33	42,491	35,437	16,264
Other movements		44	20	–
Cash flow after finance costs and income tax		28,865	30,523	58,432
Finance costs	VI-29	55,831	53,085	56,009
Income tax	VI-32	28,147	32,585	8,050
Cash flow before finance costs and income tax		112,843	116,193	122,492
Change in working capital		6,477	(9,991)	(12,450)
Dividends received from associates	VI-4	7,279	9,066	3,065
Interest paid		(62,219)	(58,852)	(66,937)
Interest received		237	246	2,940
Income tax paid		(4,819)	(8,057)	(4,794)
Net cash provided by operating activities		59,797	48,606	44,315
Cash flows from investing activities				
Acquisitions of and improvements to investment properties		(346,476)	(131,993)	(103,075)
Acquisitions of intangible assets and property and equipment		(1,482)	(3,014)	(4,689)
Acquisitions of subsidiaries, net of the cash acquired	VI-37	–	–	8,931
Proceeds from disposals of investment properties, intangible assets and property and equipment	VI-37	12	290,109	(4)
Proceeds from disposals of subsidiaries, net of cash sold	VI-37	303,351	–	–
Other cash inflows and outflows		(44)	78	(2)
Net cash provided/(used) by investing activities		(44,639)	155,180	(98,839)
Cash flows from financing activities				
Proceeds from the issue of ordinary shares		–	–	–
Purchases and sales of treasury shares, net		(283)	55	1,664
Dividends paid to owners of the parent	VI-35	(96,810)	(96,774)	(96,737)
Dividends paid to non-controlling interests		(3,483)	(3,107)	(1,411)
Proceeds from new borrowings		606,978	265,867	1,140,313
Repayments of borrowings		(506,903)	(357,081)	(925,173)
Other movements in financing items		(22,384)	(12,881)	(47,489)
Net cash provided/(used) by financing activities		(22,885)	(203,920)	71,167
Net change in cash and cash equivalents		(7,726)	(135)	16,644
Cash and cash equivalents at beginning of year		(1,544)	(1,410)	(18,053)
Cash and cash equivalents at end of year		(9,270)	(1,544)	(1,410)
Net change in cash and cash equivalents		(7,726)	(135)	16,644

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 standards and interpretations published by the IASB had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2014:

- IFRIC 21 – Levies,
- IFRS 9 – Financial Instruments,
- IFRS 15 – Revenue from Contracts with Customers.

The following new standards and interpretations were applicable from 1 January 2014:

- IFRS 10 – Consolidated Financial Statements,
- IFRS 11 – Joint Arrangements,
- IFRS 12 – Disclosure of Interests in Other Entities,
- Amendments to IAS 27 – Consolidated and Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures resulting from the adoption of IFRS 10, 11 and 12,
- Amendments to the transitional guidance in IFRS 10, 11 and 12,
- Amendments to IFRS 10 and 12 and IAS 27 – Investment Entities,
- Amendment to IAS 32 – Offsetting of Financial Assets and Financial Liabilities,
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting,
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets.

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 II-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 accounted for by the equity method. 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 associates 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) Investments in 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 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 3R, 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 3R 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 a SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

II - Measurement Methods

11-1) 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.

11-2) 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.

Shell	50 to 125 years
Roof, windows, doors	14 to 31 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

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.

11-3) Investment properties

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 "Fair value adjustments on 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 2014 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

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), 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 SILC 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 four-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: 33%,
- Jones Lang LaSalle: 36%,
- 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 (ICC), office rent index (ILAT) and retail rent index (ILC). Each property was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuers noted that 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 by 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 results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard rate of 6.2% or 6.9% for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs and acquisition expenses.

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.

11-4) Gains and losses arising from remeasurement 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 11-3) 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: Louvre Saint-Honoré in 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.

11-5) Recoverable amount of non-current assets

IAS 36 – Impairment of Assets defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

IAS 36 applies to intangible assets, property 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 may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.

Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.

The appraisals referred to above serve to identify any impairments of properties or shares in property companies.

11-6) 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.

11-7) 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.

11-8) 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.

11-9) Rental 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.

11-10) 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.

11-11) Assets held for sale

In accordance with IFRS 5, non-current assets and disposal groups are classified as "held for sale" when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and their sale is highly probable. Assets and disposal groups classified as held for sale are presented separately from other assets or groups of assets and liabilities when their amount is material and are measured at the lower of their carrying amount and fair value less costs to sell.

At 31 December 2014, no assets or groups of assets and liabilities were classified as held for sale.

11-12) 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.

11-13) 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".

11-14) 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.

11-15) Employee benefits

Employee 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. They are calculated at six-monthly intervals based on actuarial assumptions. Actuarial gains and losses are included in "Other comprehensive income". The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative.

11-16) Treasury shares

Treasury shares are recorded as a deduction from equity.

11-17) 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.

11-18) 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.

11-19) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest 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 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 or loss. 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 or loss. 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 or loss.

For derivative instruments that do not qualify for hedge accounting, fair value adjustments are recognised in profit or loss.

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 or loss 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 or loss over the period until the date when the forecast transaction was originally expected to occur.

11-20) 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 revenue 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 capitalised as part of the cost of the asset.

11-21) Other revenue sources

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.

11-22) 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 11-3).

All of the Group's financial instruments are measured using standard market valuation models (see Note 11-19).

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	126,650	4,756	20,102	–	151,508
Property expenses, net of recoveries	(8,657)	(2,433)	(773)	–	(11,863)
Net property rentals	117,993	2,324	19,329	–	139,645
Service and other revenues	–	–	–	–	–
Other income	613	(19)	74	1,265	1,932
Depreciation and amortisation expense	(466)	–	–	(545)	(1,011)
Provision (expense)/reversals, net	298	–	6	(108)	196
Employee benefits expense	–	–	–	(11,617)	(11,617)
Other expenses	–	–	–	(7,615)	(7,615)
Profit on disposal of other assets	–	–	8,485	(10)	8,475
Profit on disposal of investment properties	–	–	–	–	–
Fair value adjustments on investment properties	216,770	1,417	9,355	–	227,542
Operating profit	335,208	3,721	37,248	(18,630)	357,547
Share of profits of associates	–	–	(2,176)	–	(2,176)
Finance costs and other financial expenses	–	–	–	(63,546)	(63,546)
Financial income	–	–	–	7,715	7,715
Fair value adjustments on financial instruments	–	–	–	(30,791)	(30,791)
Discounting adjustments to receivables and payables	–	–	–	(374)	(374)
Provision expense, net - financial assets	–	–	–	–	–
Profit before income tax	335,208	3,721	35,072	(105,626)	268,375
Income tax expense	(27,659)	–	–	(488)	(28,147)
Profit for the period	307,549	3,721	35,072	(106,113)	240,228
Attributable to owners of the parent	261,571	3,721	35,072	(102,627)	197,737
Attributable to non-controlling interests	45,978	–	–	(3,486)	42,491
Other comprehensive income					
Actuarial gains and losses	–	–	–	(444)	(444)
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	–	–	–	(444)	(444)
Valuation gains and losses on financial instruments (cash flow hedges)	–	–	–	5,034	5,034
Deferred tax impact of valuation gains and losses on financial instruments	–	–	–	1,375	1,375
Items in the accounts of associates that may be reclassified subsequently to profit or loss	–	–	–	1,980	1,980
Items that may be reclassified subsequently to profit or loss	–	–	–	8,389	8,389
Other comprehensive income	–	–	–	7,945	7,945
Comprehensive income	307,549	3,721	35,072	(98,169)	248,173
Attributable to owners of the parent	261,571	3,721	35,072	(93,373)	206,991
Attributable to non-controlling interests	45,978	–	–	(4,796)	41,182

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Headquarters	Total
Segment assets	3,486,209	309,406	626,417	2,271	4,424,303
Unallocated assets	–	–	–	86,876	86,876
Total assets	3,486,209	309,406	626,417	89,148	4,511,179

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 that 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 Porte Maillot, avenue de Malakoff and Trocadéro in the west to rue Montmartre and rue du Louvre in the east, and from Porte Champerret, avenue de Villiers and Saint Lazare railway station in the north to rue de Rivoli in the south.
- Western Crescent, 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.
- Others: 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 Year

iv-1) Construction and renovation programmes

Remodelling of the #cloud.paris property at 81-83 rue de Richelieu, that was launched in the second half of 2012 after the tenant moved out, continued on schedule with delivery still planned for the second half of 2015.

On 5 June 2014, SFL signed an agreement with Eurosic for the sale of its entire 29.6% interest in SIIC de Paris for €304.9 million, representing an ex-dividend price per share of €23.88. The sale was completed on 23 July 2014. The capital gain recognised in the consolidated financial statements amounted to €8.5 million.

On 4 December 2014, SFL acquired from Blackstone Real Estate Partners a 25,000-sq.m. office building occupying a one-hectare plot on rue Condorcet in the 9th *arrondissement* of Paris. The property is located close to the Gare du Nord railway station and enjoys excellent public transport links. It is let to GrDF, the historical tenant, under a lease that expires in 2024. The acquisition represented an investment of €230 million.

iv-2) Financing

In April 2014, SFL obtained a €50 million five-year loan and a €100 million five-year revolving credit facility. These two facilities replace the €150 million line of credit from BCEM.

In October 2014, a €150 million five-year revolving line of credit was obtained from BPCE, replacing an earlier €350 million syndicated revolving facility that was due to expire at the end of 2015.

On 26 November 2014, SFL carried out a €500 million seven-year bond issue, coupon rate of 1.875%.

At the same time, an offer was launched to buy back two bond issues due in May 2016 and November 2017 respectively. At the close of the offer period, on 2 December 2014, bonds with an aggregate face value of €300 million had been tendered to the offer, in line with the original objective, including €200 million worth of bonds due 2016 and €100 million worth of bonds due 2017.

These operations have extended the average maturity of debt to four years and significantly reduced the Group's cost of debt.

iv-3) Tax audits

Following a tax audit covering the years 2010 to 2012, the tax authorities notified the Company of a proposed €2 million reassessment of the tax base that would reduce tax loss carryforwards by the same amount.

The reassessment – which concerns the allocation of expenses between SIIC activities and activities subject to corporate income tax – has been contested by SFL. It had no impact on the 2014 consolidated financial statements, because no deferred tax asset had been recognised for the tax loss carryforwards concerned.

iv-4) Subsequent events

At its meeting on 27 January, the Board of Directors decided to appoint Nicolas Reynaud as Chief Executive Officer of SFL, and Dimitri Boulte as Managing Director.

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	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SNC Condorcet Holding ⁽¹⁾	808 013 890	100	100
SNC Condorcet Propco ⁽¹⁾	537 505 414	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

(1) Companies consolidated for the first time in 2014.

Under the terms of a shareholders' pact, SFL has exclusive control over four subsidiaries that are 50%-owned by the Group. As a consequence, since the July 2014 sale of the Group's interest in SIIC de Paris, SFL has exclusive control over all its subsidiaries, all fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.1% of the capital at 31 December 2014.

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.

VI-1) Intangible assets

(in thousands of euros)	31 December 2012	Increases	Decreases	Reclassifications	31 December 2013
Cost					
Computer software	3,859	–	–	830	4,690
Other	500	1,029	(20)	(490)	1,020
Accumulated amortisation					
Computer software	(3,547)	(278)	–	–	(3,825)
Other	–	–	–	–	–
Carrying amount	813	751	(20)	340	1,884

(in thousands of euros)	31 December 2013	Increases	Decreases	Reclassifications	31 December 2014
Cost					
Computer software	4,690	–	(30)	152	4,811
Other	1,020	875	–	(388)	1,507
Accumulated amortisation					
Computer software	(3,825)	(246)	30	–	(4,041)
Other	–	–	–	–	–
Carrying amount	1,884	629	–	(236)	2,277

VI-2) Property and equipment

(in thousands of euros)	31 December 2012	Increases	Decreases	Reclassifications	31 December 2013
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other	3,793	63	(157)	99	3,798
Accumulated depreciation					
Owner-occupied property	(673)	(434)	–	–	(1,107)
Other	(1,020)	(306)	157	–	(1,169)
Carrying amount	23,338	(677)	–	99	22,760

(in thousands of euros)	31 December 2013	Increases	Decreases	Reclassifications	31 December 2014
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other	3,798	696	(78)	81	4,498
Accumulated depreciation					
Owner-occupied property	(1,107)	(434)	–	–	(1,540)
Other	(1,169)	(332)	56	(56)	(1,500)
Carrying amount	22,760	(70)	(22)	26	22,695

The appraisal value of owner-occupied property – corresponding to the Company's headquarters – was €29,345 thousand at 31 December 2014 and €28,324 thousand at 31 December 2013.

VI-3) Investment properties

(in thousands of euros)	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

(in thousands of euros)	31 December 2013	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Changes in scope of consolidation	31 December 2014
Fair value								
Investment properties	3,810,524	124,685	239,300	–	(11,758)	(22)	230,038	4,392,767
Total	3,810,524	124,685	239,300	–	(11,758)	(22)	230,038	4,392,767

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Appraisal value of investment properties	4,436,381	3,846,024	3,559,681
Adjustments to reflect specific lease terms	(43,614)	(35,500)	(30,874)
Fair value of investment properties in the statement of financial position	4,392,767	3,810,524	3,528,807

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:

Geographic Area	Value excluding transfer costs 31 December 2014 (in € millions, on a 100% basis)	Parameter	Range of values ⁽¹⁾	Weighted average ⁽¹⁾
Paris Central Business District	3,521	Market rent for offices Exit yield Discount rate	€500 - €810 4.25 - 5.00% 5.25 - 7.50%	€662 4.57% 5.69%
Other Paris	635	Market rent for offices Exit yield Discount rate	€450 - €659 4.25 - 5.25% 5.79 - 5.90%	€528 4.82% 5.86%
Western Crescent	310	Market rent for offices Exit yield Discount rate	€300 - €456 5.60 - 6.50% 6.50 - 7.25%	€446 5.66% 6.74%
Total	4,466			

(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.

VI-4) Investments in associates

(in thousands of euros)	% interest	31 December 2012	31 December 2013	Dividends received	Share of profit	Cash flow hedges	Changes in scope of consolidation	31 December 2014
SIIC de Paris	29.63%	286,560	302,341	(7,279)	(2,176)	1,980	(294,866)	–
Total investments in associates		286,560	302,341	(7,279)	(2,176)	1,980	(294,866)	–

SFL sold its interest in SIIC de Paris on 23 July 2014 for €304,937 thousand, generating a capital gain of €8,485 thousand.

VI-5) Financial assets

(in thousands of euros)	31 December 2012	31 December 2013	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	31 December 2014
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	770	692	25	–	–	–	716
Hedging instruments	–	–	–	–	–	–	–
Total	770	692	25	–	–	–	716

Provisions for impairment of investments in non-consolidated companies concern shares in Groupe Vendôme Rome, which have been written down in full since 31 December 2010.

VI-6) Other non-current assets

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Deferred tax assets	6	6	12
Other receivables	126	208	163
Prepayments	6,580	6,669	5,178
Total	6,713	6,884	5,352

Deferred tax assets are analysed in Note VI-32.

Prepayments correspond mainly to advances paid on long-term contracts for building restructuring work.

VI-7) Investment properties held for sale

No properties were classified as held for sale at 31 December 2014.

VI-8) Trade and other receivables

(in thousands of euros)	31 December 2014			31 December 2013	31 December 2012
	Total	Due within 1 year	Due in more than 1 year	Total	Total
Trade receivables	53,477	14,081	39,391	44,130	43,785
Provisions	(1,677)	–	(1,677)	(1,933)	(2,327)
Trade receivables	51,800	14,081	37,713	42,197	41,458
Prepayments to suppliers	36	36	–	30	40
Employee advances	42	42	–	39	44
Tax receivables (other than income tax)	13,628	13,628	–	19,002	16,302
Other operating receivables	1,958	1,958	–	1,569	1,305
Other receivables	146	146	–	176	285
Other receivables	15,810	15,810	–	20,817	17,977
Total	67,610	29,891	37,713	63,014	59,435

Receivables include €43,614 thousand (of which €8,983 thousand reported under 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:

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Increases	(88)	(434)	(103)
Reversals of provisions	328	818	231
Bad debt write-offs, net of recoveries	(14)	(2)	(12)
Total	227	382	8
Property rentals	151,508	149,315	150,202
Net losses as a % of property rentals	(0.15%)	(0.26%)	(0.01%)

VI-9) Other current assets

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Income tax prepayments	131	1,345	967
Other prepayments	1,179	249	450
Total	1,310	1,594	1,417

Prepayments correspond mainly to advances paid on short-term contracts for building restructuring work.

VI-10) Cash and cash equivalents

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Cash at bank and in hand	3,800	344	5,625
Short-term investments	13,291	28,688	19,293
Total	17,091	29,032	24,918

Short-term investments are measured at fair value. They break down as follows:

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Rothschild money market fund	974	1,397	1,077
Société Générale money market fund	143	–	–
Crédit Agricole money market fund	3,066	10,271	2,967
Natixis money market fund	9,108	17,019	15,249
Total	13,291	28,688	19,293

VI-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:

(in thousands of euros)	31 December 2012	31 December 2013	Increases	Decreases	31 December 2014
Number of shares	441,250	439,531	146,625	159,461	426,695
Average purchase/sale price, in euros	€57.38	€57.51	€44.97	€45.76	€57.59
Total	25,321	25,276	6,594	(7,297)	24,572

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

VI-12) Short and long-term interest-bearing debt

	Effective interest rate	Expiry date	Long-term portion			Short-term portion		
			31 December 2014	31 December 2013	31 December 2012	31 December 2014	31 December 2013	31 December 2012
Bonds								
€500 million 4.625% bond issue, 2011-2016	4.625%	25 May 2016	300,000	500,000	500,000	8,401	14,001	14,002
€500 million 3.50% bond issue, 2012-2017	3.50%	28 Nov. 2017	400,000	500,000	500,000	1,304	1,630	1,630
€500 million 1.875% bond issue, 2014-2021	1.875%	26 Nov. 2021	500,000	0	0	925	0	0
Bank loans								
Natixis syndicated loan	3-month Euribor + spread (end of drawdown period)	29 Oct. 2014	0	0	45,000	0	0	64
2014 BPCE loan	3-month Euribor + spread (end of drawdown period)	29 Oct. 2019	0	0	0	0	0	0
BNP-Paribas syndicated loan	3-month Euribor + spread (end of drawdown period)	4 July 2018	0	50,000	0	0	149	0
2007 BECM loan	1-month Euribor + spread (end of drawdown period)	23 April 2014	0	0	150,000	0	150,013	3
2014 BECM loan	1-month Euribor + spread (end of drawdown period)	23 April 2019	100,000	0	0	236	0	0
Royal Bank of Scotland	3-month Euribor + spread (calendar quarter end)	31 Oct. 2013	0	0	0	0	0	40,801
CADIF loan	1-month Euribor + spread (end of drawdown period)		0	0	0	30,001	18,001	15,002
Natixis – Deka – Deutsche Hypotheken loan	3-month Euribor + spread (calendar quarter end)	25 Sept. 2017	199,883	202,199	204,257	2,990	2,789	2,010
Lease liabilities								
131, Wagram	3-month Euribor + spread (calendar quarter end)	14 June 2016	27,271	30,061	32,851	2,790	2,790	2,790
Rives de Seine	6-month Euribor + spread 29 April & 29 October	29 Oct. 2013	0	0	0	0	0	53,668
Hedging instruments with a negative fair value								
RBOS swaps	3.8900%	31 Oct. 2013	0	0	0	0	0	1,279
HSBC swap	2.1720%	15 Feb. 2013	0	0	2,982	0	0	3
HSBC swap	2.3050%	15 Feb. 2013	0	0	6,775	0	0	6
CM CIC swap	1.8460%	18 Feb. 2013	0	0	5,607	0	0	411
Natixis - Deka - Nord LB swaps	0.8825%	25 Sept. 2017	4,012	639	2,759	253	208	219
Bank overdrafts	Various		0	0	0	26,360	30,576	26,327
Current account advances	Various		70,016	71,994	68,888	153	365	1,398
Impact of deferred recognition of debt arranging fees			(8,770)	(9,570)	(11,373)	(3,628)	(4,262)	(4,641)
Total			1,592,412	1,345,323	1,507,746	69,785	216,260	154,972

The following table analyses borrowings by maturity:

(in thousands of euros)	31 December 2014	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2013
Syndicated loans	–	–	–	–	50,149
Bonds	1,210,630	10,630	700,000	500,000	1,015,631
BECM loan	100,236	236	100,000	–	150,013
Natixis-Deka-Deutsche Hypotheken loan	202,873	2,990	199,883	–	204,988
Lease financing	30,061	2,790	27,271	–	32,851
CADIF loan	30,001	30,001	–	–	18,001
Current account advances (liabilities)	70,169	153	70,016	–	72,359
Deferred debt arranging fees	(12,398)	(3,628)	(8,770)	–	(13,832)
Natixis - Deka - Nord LB swaps	4,265	253	4,012	–	847
Bank overdrafts	26,360	26,360	–	–	30,576
Total	1,662,197	69,785	1,092,412	500,000	1,561,583

At 31 December 2014, SFL had access to confirmed undrawn lines of credit representing €600 million compared with €700 million at 31 December 2013.

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 2014.

Debt covenants and early repayment clauses:

Credit facility	Applicable ratios	Actual ratios at 31 December 2014	Actual ratios at 31 December 2013	Early repayment clauses
2014 BPCE loan	Loan-to-value (LTV) <= 50%	33.4%	–	Loan default
	Interest cover >= 2x	2.2	–	Cross default
	Secured LTV <= 20%	4.9%	–	Termination of operations
	Unrestricted property portfolio value >= €2bn	€3.9 billion	–	Bankruptcy proceedings
BNP Paribas syndicated loan	LTV <= 50%	33.4%	35.8%	Breach of financial covenants
	Interest cover >= 2x	2.2	2.3	Loss of SIIC status
	Secured LTV <= 20%	4.9%	5.8%	Material adverse event
	Unrestricted property portfolio value >= €2bn	€3.9 billion	€3.3 billion	
2014 BECM loan	Loan-to-value (LTV) <= 50%	33.4%	–	Loan default
	Interest cover >= 2x	2.2	–	Cross default
	Secured LTV <20%	4.9%	–	Termination of operations
	Property portfolio value > €2bn	€3.9 billion	–	Bankruptcy proceedings

The Group was not in breach of any of its financial covenants at 31 December 2014.

VI-13) Short and long-term provisions

(in thousands of euros)	31 December 2012	31 December 2013	Increases	Decreases	o/w utilisations	Actuarial gains and losses	31 December 2014
Provisions for taxes other than on income	968	–	–	–	–	–	–
Provisions for employee benefits	893	582	86	–	–	444	1,112
Long-term provisions	1,861	582	86	–	–	444	1,112
Provisions for refurbishment work and tenant claims	166	181	118	(181)	–	–	118
Provisions for employee benefits	150	303	22	–	–	–	324
Short-term provisions	316	484	139	(181)	–	–	442
Total	2,176	1,066	225	(181)	–	444	1,554

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €1,112 thousand, breaking down as follows:

(in thousands of euros)	31 December 2014	31 December 2013
Projected benefit obligation at 1 January	582	893
Benefits paid during the period	–	(45)
Service cost	37	45
Interest cost	49	(226)
Actuarial gains and losses	444	(85)
Long-term provisions	1,112	582

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including a discount rate of 1.49% (31 December 2013: 3.17%) and a 2.00% rate of future salary increases (31 December 2013: 2.00%). Actuarial gains and losses are recognised in equity.

A 0.25% reduction in the discount rate at 31 December 2014 would lead to a €27 thousand increase in the projected benefit obligation at that date.

The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years' service, and one month's salary to caretakers who complete 25 years' service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €41 thousand at 31 December 2014 and €20 thousand at 31 December 2013.

Provisions are recorded in the financial statements if, and only if, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

VI-14) Deferred taxes

See Note VI-32.

VI-15) Accrued taxes

Due	2015	2016	2017	Total
Amount payable	–	2,838	2,758	5,596

This item corresponds mainly to the exit tax due as a result of 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.

VI-16) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

VI-17) Trade and other payables

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Trade payables	8,608	5,717	5,297
Amounts due within one year on asset acquisitions	31,539	30,764	37,341
Total	40,147	36,481	42,638

At 31 December 2014, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including the #cloud.paris building at 81-83 rue de Richelieu, the Washington Plaza building at 42 rue Washington, and the building at 90 avenue des Champs-Élysées.

VI-18) Other current liabilities

Other current liabilities break down as follows:

(in thousands of euros)	31 December 2014	31 December 2013	31 December 2012
Deposits	1,515	1,515	1,515
Customer prepayments	14,310	12,400	15,978
Accrued payroll costs	4,765	4,873	5,611
Accrued taxes	8,228	6,831	7,172
Other liabilities	3,416	3,297	3,600
Accruals	4,411	6,528	8,623
Total	36,647	35,443	42,499

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

Accrued taxes include the 2015 exit tax instalment related to the In/Out building in Boulogne and the Rives de Seine building in Paris.

The amounts reported under “Accruals” correspond to deferred revenue.

VI-19) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 97.7% of property rentals. Net property rentals take into account the net positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In 2014, this impact was €10,230 thousand.

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Property rentals	759,304	156,600	441,990	160,714

(in thousands of euros)	2014	2013	2012
Property rentals	151,508	149,315	150,202
Property operating expenses	(38,299)	(40,710)	(39,720)
Property expenses recovered from tenants	26,436	28,412	27,329
Property expenses, net of recoveries	(11,863)	(12,298)	(12,391)
Net property rentals	139,645	137,017	137,811

VI-20) Service and other revenues

The Group did not earn any service and other revenues in 2014. In 2013, these revenues amounted to €29 thousand.

VI-21) Other income

(in thousands of euros)	2014	2013	2012
Own-work capitalised	1,164	792	908
Other income	768	1,687	2,673
Total	1,932	2,479	3,581

The caption "Other income" corresponds to work billed to third parties and redevelopment project management fees.

VI-22) Depreciation and amortisation expense

(in thousands of euros)	2014	2013	2012
Amortisation of intangible assets	(246)	(278)	(148)
Depreciation of property and equipment	(765)	(740)	(702)
Total	(1,011)	(1,018)	(850)

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.

VI-23) Provision reversals/(expense), net

(in thousands of euros)	2014	2013	2012
Charges to provisions for impairment of current assets	(88)	(434)	(103)
Charges to provisions for operating contingencies and charges	(118)	(15)	(146)
Charges to provisions for other contingencies and charges	(108)	(213)	(546)
Total charges	(313)	(662)	(796)
Reversals of provisions for impairment of current assets	328	818	125
Reversals of provisions for operating contingencies and charges	181	–	46
Reversals of provisions for other contingencies and charges	–	1,255	565
Total reversals	509	2,073	736
Net	196	1,411	(60)

The significant reversal from provisions for other contingencies and charges recorded in 2013 mainly concerned the settlement of tax disputes, leading to the recognition of income tax expense in the same year.

VI-24) Employee benefits expense

(in thousands of euros)	2014	2013	2012
Wages and salaries	(6,822)	(7,173)	(6,901)
Payroll taxes	(3,453)	(3,445)	(3,484)
Other employee benefits	(670)	(806)	(114)
Statutory and discretionary profit-sharing	(672)	(175)	(688)
Total	(11,617)	(11,599)	(11,187)

The Group had 72 administrative staff and 2 building staff at 31 December 2014, unchanged from 31 December 2013.

Stock option plans at 31 December 2014

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	13 March 2011
End of the exercise period	13 March 2015
Exercise price (options exercisable for newly-issued shares)	–
Exercise price (options exercisable for shares bought back for this purpose)	€58.97
Number of options at 1 January 2014	208,297
Options granted during the period	3,910
Options exercised during the period	–
Options cancelled during the period	(10,497)
Number of options outstanding at 31 December 2014	201,710

To calculate the cost of the stock option plans, the options were valued at the grant date using the Black & Scholes method. In 2014, the plan had no impact on profit for the year.

Details of performance share plans at 31 December 2014

Date of shareholder authorisation	Plan no.1		
	9 May 2011		
Grant date	16 February 2012	5 March 2013	4 March 2014
End of vesting period	31 December 2014	31 December 2015	31 December 2016
Expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	32,988	35,144	33,981
Number of performance share rights expected to vest	23,366	24,892	24,069
Fair value per share	€29.08	€31.65	€31.48
Rights cancelled/forfeited	(2,376)	(7,450)	(10,428)
Number of shares expected to vest at 31 December 2014	20,990	17,442	13,641

Main features of the plan

The plan's main features are as follows:

- The shares will vest only if the grantee is still employed by the Group on the vesting date.
- Performance target: the number of shares that vest depends on SFL's ranking among a group of six listed property companies based on growth in consolidated NAV per share.
- Lock-up period: the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

Accounting treatment

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 2014 amounted to €443 thousand (excluding specific employer contributions).

During 2014, a total of 20,516 performance share rights were granted under the 2012 Plan no. 2.

VI-25) Other expenses

(in thousands of euros)	2014	2013	2012
Purchases	(95)	(109)	(128)
General subcontracting	(506)	(334)	(285)
Rent (operating leases)	(1,076)	(1,100)	(1,147)
Maintenance and repairs	(146)	(171)	(176)
Fees	(1,921)	(1,893)	(1,748)
Publications and public relations	(676)	(852)	(883)
Bank charges	(270)	(269)	(270)
Taxes other than on income	(1,271)	(1,791)	(1,225)
Travel and entertainment	(337)	(340)	(353)
Non-recurring expenses	(130)	(270)	(198)
Other	(1,186)	(1,347)	(839)
Total	(7,615)	(8,476)	(7,252)

VI-26) Profit on disposal of other assets

Profit on disposals of other assets for 2014 corresponds mainly to the capital gain realised on the sale of the Group's interest in SIIC de Paris (see Note VI-4 for details).

VI-27) Fair value adjustments on investment properties

Details of fair value adjustments on investment properties at fair value are provided in Note VI-3.

VI-28) Share of profits/(losses) of associates

This item, representing a negative €2,176 thousand in 2014, corresponds to SFL's share of SIIC de Paris's loss for the period up to the date of sale in July 2014.

VI-29) Finance costs and other financial income and expenses

(in thousands of euros)	2014	2013	2012
Interest on bonds and bank loans	(54,309)	(53,302)	(43,544)
Interest on lease liabilities	(819)	(1,372)	(2,489)
Interest on external current account advances	(733)	(720)	(1,434)
Hedging losses	(1,194)	(3,124)	(19,765)
Other financial expenses	(6,489)	(5,751)	(3,594)
Finance costs and other financial expenses	(63,546)	(64,268)	(70,825)
Interest income	9	22	9
Net gains on sales of short-term investments	129	61	77
Hedging gains	–	–	1,813
Financial expense transfers	7,473	10,937	12,014
Other financial income	103	164	904
Financial income	7,715	11,184	14,816
Finance costs and other financial income and expenses, net	(55,831)	(53,085)	(56,009)

Expense transfers for 2014 correspond to interest expense on debt allocated to the financing of remodelling work on the #cloud.paris building at 81-83 rue de Richelieu, capitalised at the rate of 3.52%.

VI-30) Financial instruments

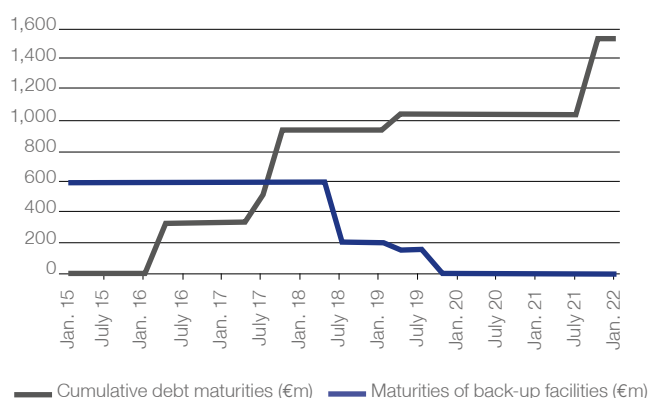
Gains and losses arising from remeasurement at fair value of financial instruments in 2014 include €22,384 thousand in bond early repayment penalties.

Financial risk management objectives and policy

In a challenging economic environment, SFL is prudently managing its various financial risks.

1/Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2014, SFL had access to confirmed undrawn lines of credit representing €600 million compared with €700 million at 31 December 2013. As shown in the graph below, the liquidity represented by these back-up facilities is sufficient to cover the Group's repayment obligations under its lines of credit up until November 2017.



With its available credit lines, diversified debt structure and the quality of its assets, SFL manages its liquidity risk prudently and effectively.

The early repayment clauses contained in the facility agreements are presented in Note VI.12.

2/Counterparty risks

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 emphasised 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 current business is not material.

3/Market risk

SFL had no exposure to currency risks at 31 December 2014. 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.

The recent €500 million seven-year bond issue at 1.875% will enable the Group to benefit from historically low interest rates over seven years in a period of flattening yield curves.

At 31 December 2014, 90% of debt was hedged against interest rate risks.

b. Risk assessment

The average spot cost of debt after hedging stood at 2.86% at 31 December 2014, versus 3.34% at 31 December 2013.

A 50-basis point rise in interest rates across the yield curve in 2014 would have had the effect of increasing the average cost of debt to 2.92%, driving up finance costs by €953 thousand on the year, or 1.5%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 2.80%, and reduced finance costs by €953 thousand on the year, or 1.5%.

Concerning hedging instruments, a 50-basis point increase in interest rates would have the effect of increasing the fair value of hedging instruments by €2,456 thousand at 31 December 2014 and €3,265 thousand at 31 December 2013, while a 50-basis point decrease would reduce their fair value by €2,503 thousand at 31 December 2014 and €3,344 thousand at 31 December 2013.

Interest rate risk

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

Interest rate hedges (in thousands of euros)	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
Natixis-Deka-Deutsche Hypothekebank swaps	–	–	185,220	–	–	–	185,220
Total	–	–	185,220	–	–	–	185,220

Interest rate hedges (in thousands of euros)	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
BNP Paribas loan	–	–	–	–	–	–	–
BECM loan	–	–	–	–	100,000	–	100,000
Natixis-Deka-Deutsche Hypothekebank loan	2,315	3,087	196,796	–	–	–	202,198
Lease liabilities	2,790	27,271	–	–	–	–	30,061
Current account advances	–	70,016	–	–	–	–	70,016
CADIF loan	30,000	–	–	–	–	–	30,000
Total	35,105	100,374	196,796	–	100,000	–	432,275

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

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 31 December 2014 and 31 December 2018:

(in thousands of euros)	2014	2015	2016	2017	2018
Syndicated loans	–	–	–	–	–
BECM revolving facility	100,000	100,000	100,000	100,000	100,000
Natixis-Deka-Deutsche Hypothekenbank loan	202,198	199,883	196,796	–	–
Lease liabilities	30,061	27,271	–	–	–
Current account advances	70,016	70,016	–	–	–
CADIF loan	30,000	–	–	–	–
Total floating rate debt	432,275	397,170	296,796	100,000	100,000
Natixis-Deka-Deutsche Hypothekenbank swaps	185,220	185,220	185,220	–	–
Total interest rate hedges	185,220	185,220	185,220	–	–
Net unhedged position	247,055	211,950	111,576	100,000	100,000

Accounting treatment of hedging instruments

The net change in value of hedging instruments between 31 December 2013 and 31 December 2014 represented a potential loss for SFL of €3,372 thousand. Of this amount, €3,411 thousand was recorded as a deduction from equity and €39 thousand was recognised in the statement of comprehensive income (as income) along with the reclassified 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 recognised directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified to the statement of comprehensive income over the remaining life of the hedged item.

In 2014, cumulative losses of €8,446 thousand were reclassified to the statement of comprehensive income.

The net amount recorded in the statement of comprehensive income was therefore a negative €8,407 thousand in 2014.

Hedging portfolio

The hedging portfolio comprises the following two types of contract:

Interest rate hedges on the financing of the Parholding portfolio

Counterparties: Natixis/Deka/Nord LB. *Description:* cash flow hedges. This swap on a notional amount of €185,220 thousand came into effect on 25 November 2012 as a hedge of identified debt and expires on 25 November 2017. SFL pays a fixed rate of 0.8825%.

At 31 December 2014, the contract had a negative fair value of €4,036 thousand.

Measuring hedging instruments

All of 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 2014, hedging instruments had a total negative fair value of €4,036 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 2014, credit risk represented a potential gain for SFL of €24 thousand.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2014 was €1,251,121 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	Fair value
May 2011 bonds	300,000	May 2016	316,981
November 2012 bonds	400,000	November 2017	431,640
November 2014 bonds	500,000	November 2021	502,500
Total			1,251,121

VI-31) Change in provisions for financial assets, net

There were no movements on provisions on financial assets in 2014.

VI-32) Income tax expense

The election for taxation as a 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 a 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 (in thousands of euros)	Statement of financial position 31 December 2012	Statement of financial position 31 December 2013	Reclassifications	Equity	Statement of comprehensive income 2014	Statement of financial position 31 December 2014
Fair value adjustments on investment properties	(105,971)	(118,217)	–	–	(21,169)	(139,386)
Hedging instruments	950	220	–	1,375	(213)	1,382
Adjustment of depreciation	(8,770)	(13,141)	–	–	(2,150)	(15,291)
Adjustment of property rentals	(2,539)	(1,996)	–	–	494	(1,502)
Capitalisation of interest expense and transaction costs	(464)	(501)	–	–	(20)	(521)
Other	(253)	(259)	–	–	(589)	(848)
Net	(117,046)	(133,894)	–	1,375	(23,647)	(156,166)
Of which: deferred tax assets	13	6	–	–	–	6
Of which: deferred tax liabilities	117,060	133,902	–	(1,375)	23,647	156,174

Current income tax expense for the year amounted to €4,500 thousand, versus €16,272 thousand in 2013. The decrease primarily reflects the exit tax liability arising in 2013 on the exercise of the purchase option under the Rives de Seine finance lease (€11,806 thousand).

VI-33) Non-controlling interests in net profit

(in thousands of euros)	2014	2013	2012
SCI Washington	17,990	10,059	16,264
<i>Property rentals</i>	7,204	6,462	6,525
<i>Fair value adjustments on investment properties</i>	11,002	4,241	10,870
<i>Net financial expense</i>	(485)	(468)	(776)
Parholding Group	24,501	25,378	–
<i>Property rentals</i>	13,048	13,043	–
<i>Fair value adjustments on investment properties</i>	29,474	30,150	–
<i>Net financial expense</i>	(3,001)	(3,047)	–
<i>Deferred tax</i>	(11,466)	(12,490)	–
<i>Current tax</i>	(2,006)	(944)	–
Total	42,491	35,437	16,264

VI-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.

(in thousands of euros)	2014	2013	2012
Profit used to calculate basic earnings per share	197,737	147,259	283,189
Number of ordinary shares at 31 December	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(426,695)	(439,531)	(441,250)
Number of ordinary shares at 31 December excluding treasury shares	46,102,279	46,089,443	46,087,724
Earnings per share	€4.29	€3.20	€6.14
Weighted average number of ordinary shares	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(426,695)	(439,531)	(441,250)
Weighted average number of ordinary shares excluding treasury shares	46,102,279	46,089,443	46,087,724
Basic earnings per weighted average share	€4.29	€3.20	€6.14

There were no other transactions on ordinary shares or potential ordinary shares between the period-end and the date when these financial statements were drawn up.

VI-35) Dividends

(in thousands of euros)	2014		2013		2012	
	Paid	Per share	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	64,542	€1.40	64,520	€1.40	64,475	€1.40
Special distribution paid in current year	32,268	€0.70	–	–	32,262	€0.70
Current year interim dividend	–	–	32,254	€0.70	–	–
Total	96,810	€2.10	96,774	€2.10	96,737	€2.10

VI-36) Off-balance sheet commitments

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

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
• Property guarantees	541	293	248	–
Commitments received				
• Guarantees received from tenants	26,772	3,085	5,016	18,671
• Guarantees received from suppliers	32,164	2,449	29,715	–
• BPCE loan	150,000	–	150,000	–
• BNP Paribas loan	400,000	–	400,000	–
• BECM loan	50,000	–	50,000	–

Employee benefit obligations at 31 December 2014

Three 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.

At 31 December 2014, the aggregate compensation that would be payable to these individuals amounted to €1,930 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.

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 31 December 2014, the Group's contractual commitments relating to investment properties undergoing renovation totalled €81,730 thousand and mainly concerned the #cloud.paris property (81-83 rue de Richelieu) for €57,037 thousand, the Louvre Saint-Honoré property for €11,796 thousand and 90, Champs-Élysées for €7,492 thousand.

VI-37) Note to the statement of cash flows

(in thousands of euros)	2014	2013	2012
Proceeds from disposals of subsidiaries, net of the cash sold:			
Sale price	304,937	–	–
Transaction costs	(1,585)	–	–
Capital gains tax	–	–	–
Acquisitions of subsidiaries, net of the cash acquired:			
Purchase price	–	–	–
Subsidiaries' cash acquired (Parholding)	–	–	8,931
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
Acquisitions of investment properties, intangible assets and property and equipment:			
Purchase price	(229,438)	–	–
Transaction costs	(600)	–	–
Taxes	–	–	–
Proceeds from disposals of investment properties, intangible assets and property and equipment:			
Sale price	12	290,371	–
Transaction costs	–	(262)	(4)
Capital gains tax	–	–	–
Cash and cash equivalents at end of period:			
Short-term investments	13,291	28,688	19,293
Cash at bank and in hand	3,800	344	5,624
Short-term bank loans and overdrafts	(26,360)	(30,576)	(26,327)

Additional information

The impact of deferring recognition of rent-free periods is included in "Cash flow" along with additions to and reversals of provisions for impairment of trade receivables.

VI-38) Related party information

The remuneration paid to the members of the Board of Directors and Management Committee breaks down as follows:

(in thousands of euros)	2014	2013	2012
Short-term benefits, excluding payroll taxes ⁽¹⁾	3,712	3,480	2,694
Payroll taxes on short-term benefits	1,485	1,610	1,213
Share-based payments ⁽²⁾	375	471	265
Directors' fees	323	342	342
Total	5,895	5,903	4,514

(1) Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the period.

(2) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

The first part of the paper discusses the importance of the research and the objectives of the study. It then presents a literature review of the existing research on the topic. The second part of the paper describes the methodology used in the study, including the data collection and analysis techniques. The third part of the paper presents the results of the study, and the fourth part discusses the conclusions and implications of the findings.

The study was conducted using a quantitative research design. Data was collected from a sample of 100 participants, and the results were analyzed using statistical software. The findings of the study indicate that there is a significant relationship between the variables being studied.

The results of the study suggest that the research has important implications for the field. Further research is needed to explore the relationship between the variables in more detail.

In conclusion, the study has provided valuable insights into the topic and has contributed to the existing body of knowledge. The findings have important implications for the field and suggest that further research is needed.

Financial Statements for the Year Ended 31 December 2014

Balance Sheet (P.182)

Profit and Loss Account (P.184)

I – Accounting Policies (P.185)

II – Significant Events of the Year (P.186)

III – Notes to the Financial Statements (P.187)

Balance Sheet

ASSETS

(in €)	31 December 2014			31 December 2013
	Total	Depreciation, amortisation and provisions	Net	Net

NON-CURRENT ASSETS

Intangible assets				
Start-up costs				
Software	4,766,120	4,040,963	725,157	819,229
Lease premiums and goodwill ⁽¹⁾	52,217,467	–	52,217,467	50,258,560
Other	–	–	–	–
Intangible assets in progress	1,479,371	–	1,479,371	1,019,027
Property and equipment				
Land	587,636,763	8,220,912	579,415,851	582,544,472
Buildings	776,730,869	149,122,883	627,607,986	633,759,153
Other	3,898,559	1,488,752	2,409,807	2,586,955
Assets under construction	223,287,468	–	223,287,468	164,232,947
Prepayments to suppliers of property and equipment	6,531,134	–	6,531,134	6,669,320
Non-current financial assets⁽²⁾				
Shares in subsidiaries and affiliates	393,871,912	2,286,948	391,584,964	627,556,996
Advances to subsidiaries and affiliates	22,496,806	–	22,496,806	22,844,416
Other long-term investments	–	–	–	–
Loans	3,189,744	–	3,189,744	5,347,815
Other	720,717	–	720,717	679,396
TOTAL I	2,076,826,930	165,160,458	1,911,666,472	2,098,318,286

CURRENT ASSETS

Inventories and work in progress				
Receivables⁽³⁾				
Prepayments to suppliers	36,459	–	36,459	29,857
Rental receivables	7,298,648	3,018,297	4,280,351	5,142,132
Other	535,213,998	–	535,213,998	315,899,451
Short-term investments				
Treasury shares	22,570,637	7,171,233	15,399,404	16,456,474
Other marketable securities	973,098	–	973,098	1,393,488
Cash equivalents	–	–	–	–
Cash at bank and in hand	411,814	–	411,814	68,193,092
Prepaid expenses ⁽³⁾	736,211	–	736,211	185,681
TOTAL II	567,240,865	10,189,530	557,051,335	407,300,175
Deferred charges (III)	8,552,573	–	8,552,573	8,597,730
Debt redemption premiums (IV)	2,016,129	–	2,016,129	2,757,167
TOTAL ASSETS (I + II + III + IV)	2,654,636,497	175,349,988	2,479,286,509	2,516,973,358
(1) Of which, lease premiums			–	–
(2) Of which, due within one year (gross)			24,694,422	25,022,259
(3) Of which, due beyond one year (gross)			530,348,035	303,291,171

EQUITY AND LIABILITIES

(in €)	31 December 2014	31 December 2013
EQUITY		
Share capital	93,057,948	93,057,948
Share premium account	839,667,295	924,182,054
Revaluation reserve	21,438,656	21,438,656
Reserves:	–	–
Legal reserve	9,305,795	9,305,795
Statutory reserve	–	–
Untaxed reserves	–	–
Other	–	–
Retained earnings	915,525	620,424
Interim dividend	–	(32,253,864)
Profit for the period	31,476,110	44,843,906
Capital and reserves	995,861,329	1,061,194,919
Government grants	–	–
Untaxed provisions	15,099,233	13,202,799
TOTAL I	1,010,960,562	1,074,397,718
Participating securities	–	–
TOTAL Ia	–	–
Provisions for contingencies and charges	1,628,049	1,544,402
TOTAL II	1,628,049	1,544,402
LIABILITIES⁽¹⁾⁽²⁾		
Convertible bonds	–	–
Other bonds	1,210,629,795	1,015,631,849
Bank borrowings ⁽³⁾	156,589,480	316,908,915
Other borrowings	48,712,864	47,731,100
Prepaid property rentals	5,288,699	4,123,659
Trade payables	6,917,642	5,774,786
Accrued taxes and payroll costs	14,276,885	18,619,091
Due to suppliers of property and equipment	19,098,140	26,490,562
Other liabilities	2,352,570	2,150,673
Cash equivalents	–	–
Deferred income	2,831,823	3,600,603
TOTAL III	1,466,697,898	1,441,031,238
TOTAL EQUITY AND LIABILITIES (I + Ia + II + III)	2,479,286,509	2,516,973,358
(1) Of which, due beyond one year	1,352,629,513	1,108,051,726
(2) Of which, due within one year	114,068,385	332,979,513
(3) Of which, short-term bank loans and overdrafts	26,353,101	98,746,188

Profit and Loss Account

(in €)	2014	2013
OPERATING INCOME		
Property rentals	69,341,372	77,664,921
Service revenue	1,536,669	1,930,760
Total revenue	70,878,041	79,595,681
Own-work capitalised	227,476	247,162
Reversals of depreciation, amortisation and provisions	3,069,927	3,775,395
Other income	697,456	2,314,835
Expense transfers	18,984,669	19,341,429
TOTAL I	93,857,569	105,274,502
OPERATING EXPENSES		
Other purchases and external charges	35,990,337	50,476,928
Taxes other than on income	—	—
Payroll-based taxes	548,849	786,077
Other	9,387,911	9,339,809
Payroll costs	—	—
Wages and salaries	7,665,940	7,728,387
Payroll taxes and other employee benefits expenses	3,239,556	3,213,249
Depreciation, amortisation and provision expense	—	—
Depreciation and amortisation expense	36,857,730	29,972,448
Impairment losses on non-current assets	3,135,508	2,003,494
Impairment losses on current assets	73,112	268,036
Provision expense	117,570	15,296
Other expenses	787,721	355,815
TOTAL II	97,804,234	104,159,539
OPERATING (LOSS)/PROFIT (I-II)	(3,946,665)	1,114,963
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	31,449,625	32,246,255
From other non-current financial assets	102,431	150,135
Other interest income	2,735,397	2,687,048
Reversals of provisions and impairment losses, and expense transfers	7,472,718	11,905,851
Net gains from sales of current financial assets	56,055	9,509
TOTAL III	41,816,226	46,998,798
FINANCIAL EXPENSES		
Amortisation, impairment losses and other provision expense	1,709,932	856,000
Interest expense	72,996,035	64,362,435
TOTAL IV	74,705,967	65,218,435
NET FINANCIAL EXPENSE (III - IV)	(32,889,741)	(18,219,637)
LOSS BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	(36,836,406)	(17,104,674)
OTHER INCOME		
From revenue transactions	437,610	315,230
From capital transactions	304,958,567	290,371,100
Reversals of provisions and impairment losses, and expense transfers	2,077,391	4,545,115
TOTAL V	307,473,568	295,231,445
OTHER EXPENSES		
From revenue transactions	1,197,180	69,882
From capital transactions	236,004,252	216,880,013
Amortisation, impairment losses and other provision expense	1,918,214	2,156,574
TOTAL VI	239,119,646	219,106,469
OTHER INCOME, NET (V - VI)	68,353,922	76,124,976
Employee profit-sharing (IX)	97,136	65,441
Income tax (expense)/benefit (X)	(55,730)	14,110,955
Total income (I + III + V)	443,147,363	447,504,745
Total expenses (II + IV + VI + IX + X)	411,671,253	402,660,839
NET PROFIT	31,476,110	44,843,906

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 segregation 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 capitalised.

Capitalised renovation costs also include borrowing costs for the period until the property is put back on the rental market, calculated at the average month-end interest rate after hedging.

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 held in the portfolio when the components approach was adopted 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 that 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, windows, doors	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 recognised if market value is less than the carrying amount. The portfolio was valued at 31 December 2014 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 recognised 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 these plans based on the probability of the options or performance share rights being exercised.

When it is probable that the options or performance share rights will be exercised, a provision is recorded for the difference between the buyback price of the allocated shares and the exercise price of the options or performance share rights.

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.

If the share price increases to above the exercise price for a certain number of options or performance share rights, the provision for impairment of these shares is reversed and a provision for contingencies is recorded based on the exercise price of the options or performance share rights.

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 average 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 recognised in the profit and loss account on an accruals basis.

No provision is booked for unrealised losses, as losses and gains on hedging instruments are offset by gains and losses on the hedged items.

i) Other financial income and expenses

Other financial income and expense 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

Remodelling of the #cloud.paris property at 81-83 rue de Richelieu, that was launched in the second half of 2012 after the tenant moved out, continued on schedule with delivery still planned for the second half of 2015.

Asset purchases and sales

On 5 June 2014, SFL signed an agreement with Eurosic for the sale of its entire 29.6% interest in SIIC de Paris for €304.9 million, representing an ex-dividend price per share of €23.88. The sale was completed on 23 July 2014, generating a capital gain for the Company of €68.96 million (excluding costs of disposal).

During the year, SFL became managing partner of Condorcet Holding, owner since 4 December 2014 of the entire capital of SNC Condorcet Propco which in turn owns the office complex at 4-8 rue Condorcet in Paris.

Distribution paid out of share premium account

On 21 November 2014, the Company paid a special distribution of €0.70 per share, for a total payout of €32,268,243 deducted from the share premium account, representing a return of capital to shareholders.

Financing

In April 2014, SFL obtained a €50 million five-year loan and a €100 million five-year revolving credit facility. These two facilities replace the €150 million line of credit from BCEM.

In October 2014, a €150 million five-year revolving line of credit was obtained from BPCE, replacing an earlier €350 million syndicated revolving facility that was due to expire at the end of 2015.

On 26 November 2014, €500 million was raised through a seven-year 1.875% bond issue.

At the same time, an offer was launched to buy back two bond issues due in May 2016 and November 2017 respectively. At the close of the offer period, on 2 December 2014, bonds with an aggregate face value of €300 million had been tendered to the offer, in line with the original objective, including €200 million worth of bonds due 2016 and €100 million worth of bonds due 2017.

These operations have extended the average maturity of debt to four years and significantly reduced the Group's cost of debt.

B - Tax audits

Following a tax audit covering the years 2010 to 2012, the tax authorities notified the Company of a proposed €2 million reassessment of the tax base that would reduce tax loss carryforwards by the same amount. SFL is contesting the reassessment, which concerns the allocation of expenses between "SILC" and "non-SILC" tax bases.

C - Subsequent events

At its meeting on 27 January, the Board of Directors decided to appoint Nicolas Reynaud as Chief Executive Officer of SFL, and Dimitri Boulte as Managing Director.

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 €)	31 December 2013	Additions	Disposals	Reclassifications	31 December 2014
Software	4,644,454	–	30,000	151,666	4,766,120
Goodwill	52,217,467	–	–	–	52,217,467
Prepayments to suppliers of intangible assets	1,019,027	615,765	–	(155,421)	1,479,371
Total	57,880,948	615,765	30,000	(3,755)	58,462,958

Software includes both software licences and internally-developed software.

Goodwill corresponds to the technical deficits arising from mergers:

- with SA Dandy Nuances (owner of the Ozone building) on 20 November 2006.
- with SAS léna (owner of the 96 léna building) on 30 June 2008.

Amortisation (in €)	31 December 2013	Amortisation for the year	Amortisation written off on disposals and other	31 December 2014
Software	3,825,225	245,738	30,000	4,040,963
Total	3,825,225	245,738	30,000	4,040,963

Impairment (in €)	31 December 2013	Increases	Decreases	31 December 2014
Goodwill	1,958,907		1,958,907	0
Total	1,958,907	0	1,958,907	0

The impairment provision at 31 December 2013 related to the technical deficit ("goodwill") arising on the merger with SAS léna was reversed at 31 December 2014 due to the increase in the léna property's appraisal value as determined by independent valuers at that date.

A-1.2) Property and equipment

Property and equipment at cost (in €)	31 December 2013	Additions	Disposals	Reclassifications	31 December 2014
Land	587,636,763	–	–	–	587,636,763
Buildings	396,623,356	–	362,167	3,791,333	400,052,522
Fixtures and fittings	364,179,162	–	9,348,350	21,847,535	376,678,347
Furniture and equipment	3,761,730	–	77,686	214,515	3,898,559
Assets under construction	164,232,947	84,904,149	–	(25,849,628)	223,287,468
Prepayments to suppliers of property and equipment	6,669,321	3,045,397	3,183,584	–	6,531,134
Total	1,523,103,279	87,949,546	12,971,787	3,755	1,598,084,793

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.

Depreciation (in €)	31 December 2013	Depreciation for the year	Depreciation written off on disposals and other	Reclassifications	31 December 2014
Land	–	–	–	–	–
Buildings	24,309,928	6,340,040	362,167	–	30,287,801
Fixtures and fittings	99,554,353	25,505,661	9,348,350	(55,666)	115,655,998
Furniture and equipment	1,174,774	313,978	55,666	55,666	1,488,752
Total	125,039,055	32,159,679	9,766,183	0	147,432,551

Impairment (in €)	31 December 2013	Increases	Decreases	31 December 2014
Land	5,092,291	3,135,508	6,887	8,220,912
Buildings	3,179,084	–	–	3,179,084
Fixtures and fittings	–	–	–	–
Total	8,271,375	3,135,508	6,887	11,399,996

Following the valuations carried out at 31 December 2014, the impairment losses recorded on buildings were adjusted to take into account changes in the properties’ appraisal values.

Impairment losses concerned the following properties:

Impairment by building (in €)	31 December 2013	Increases	Decreases	31 December 2014
Le Vaisseau	8,243,050	3,135,508	–	11,378,558
Saint-Denis	28,325	–	6,887	21,438
Total	8,271,375	3,135,508	6,887	11,399,996

A-1.3) Non-current financial assets

Non-current financial assets at cost (in €)	31 December 2013	Additions	Disposals	31 December 2014
Shares in subsidiaries and affiliates	629,843,944	10,200	235,982,232	393,871,912
Advances to subsidiaries and affiliates	22,844,417	22,496,797	22,844,408	22,496,806
Loans	5,347,814	19,773	2,177,843	3,189,744
Deposits	679,396	41,321	–	720,717
Total	658,715,571	22,568,091	261,004,483	420,279,179

Shares in subsidiaries and affiliates are presented below (list of subsidiaries and affiliates).

Impairment (in €)	31 December 2013	Increases	Decreases	31 December 2014
Shares in subsidiaries and affiliates	2,286,948	–	–	2,286,948
Total	2,286,948	0	0	2,286,948

Impairments of non-current financial assets correspond mainly to the full write-down of the Company's investment in Vendôme-Rome.

Analysis by maturity at 31 December 2014 (in €)	Total	<i>o/w accrued interest</i>	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current financial assets					
Advances to subsidiaries and affiliates	22,496,806	22,496,806	22,496,806	–	–
Loans	3,189,744	19,773	2,197,616	992,128	–
Deposits	720,717	–	–	–	720,717

List of Subsidiaries and Affiliates:

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances	Outstanding guarantees	Last published revenue	Last published profit/ (loss)	Dividends received during the year	Fair value adjustments to the investment during the year
				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	113,557,873	100.00%	291,846,722	291,846,722	–	–	15,837,331	10,649,435	–	–
SCI 103 GRENELLE	150	7,522,732	100.00%	1,169,740	1,169,740	170,017,485	–	9,643,695	4,261,535	–	–
SCI WASHINGTON	94,872,000	15,607,815	66.00%	79,788,878	79,788,878	111,838,306	–	21,508,089	11,500,162	–	–
2 - Affiliates (10-50%-owned)											
SAS PARHOLDING	15,000,000	3,126,362	50.00%	18,400,300	18,400,300	12,550,536	–	–	267,586	901,458	–
B - Aggregate information about investments not listed in A above:											
1 - Subsidiaries (at least 50%-owned)				380,493	380,493	–	–	–	(76,223)	772,733	–
2 - Affiliates (less than 50%-owned)				2,286,735	–	–	–	–	–	–	–

A-2) Receivables

Analysis by maturity at 31 December 2014 (in €)	Total	<i>o/w accrued income</i>	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	36,459	–	36,459	–	–
Trade receivables	7,298,648	763,236	2,735,122	4,563,526	–
Other					
. Employee advances	30,356	–	30,356	–	–
. Prepaid and recoverable taxes	8,757,976	–	8,757,976	–	–
. Current account advances	526,034,558	250,049	250,049	525,784,509	–
. Miscellaneous receivables	391,108	–	391,108	–	–
Prepaid expenses	736,211	–	736,211	–	–

Impairment (in €)	31 December 2013	Increases	Decreases	31 December 2014
Rental receivables	3,076,495	73,112	131,310	3,018,297
Other receivables	449,837	–	449,837	–
Total	3,526,332	73,112	581,147	3,018,297

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 2014 came to €22,571 thousand versus a fair value of €15,515 thousand, reflecting the decline in the SFL share price to €36.36 at the 2014 year-end, from €38.09 at end-2013.

Treasury shares	31 December 2013	Additions ⁽¹⁾	Disposals ⁽¹⁾	31 December 2014
Number of shares	439,531	149,910	162,746	426,695
Average purchase/sale price, in euros	€54.33	€37.95	€42.99	€52.90
Total	23,877,556	5,689,327	6,996,246	22,570,637

(1) Including 24,069 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 €7,171 thousand at 31 December 2014 as follows:

Treasury shares	Number of shares	Cost	Provisions	Net	Market value	Gross gain or loss
SFL shares held for allocation upon exercise of stock options granted in 2007	201,710	12,572,086	5,237,910	7,334,176	7,334,176	(5,237,910)
SFL shares held for allocation under the 2012 performance share plan	20,989	740,912	N/A ⁽¹⁾	740,912	763,160	22,248
SFL shares held for allocation under the 2013 performance share plan	17,430	656,762	N/A ⁽¹⁾	656,762	633,755	(23,007)
SFL shares held for allocation under the 2014 performance share plan	13,641	511,538	N/A ⁽¹⁾	511,538	495,987	(15,551)
SFL shares held for future stock-for-stock acquisitions	136,631	6,901,226	1,933,323	4,967,903	4,967,903	(1,933,323)
SFL shares held under the liquidity contract	36,294	1,188,114	–	1,188,114	1,319,650	131,536
Total	426,695	22,570,638	7,171,233	15,399,405	15,514,631	(7,056,007)

(1) No impairment losses are recorded on shares allocated to performance share plans.

Impairment (in €)	31 December 2013	Increases	Decreases	Reclassifications	31 December 2014
Treasury shares	7,421,082	616,278	262,384	(603,743)	7,171,233
Total	7,421,082	616,278	262,384	(603,743)	7,171,233

Changes in impairment over the year include a €616 thousand provision recognised through profit and the reclassification of €604 thousand following the allocation of shares to a performance share plan at their net book value on the transfer date. In addition, delivery of performance shares under the 2012 Plan 2 led to the reversal of a €262 thousand provision.

Stock option plans	31 December 2014
Date of General Meeting	21 April 2005
Grant date	13 March 2007
Number of shares under option	282,418
Issuer	SFL
Starting date of the exercise period	13 March 2011
End of the exercise period	13 March 2015
Exercise price	€58.97
Number of options at 1 January 2014	208,297
Options granted during the period	3,910
Options exercised during the period	–
Options cancelled during the period	10,497
Number of options outstanding at 31 December 2014	201,710

Details of performance share plans at 31 December 2014:	Plan 1		
Date of General Meeting	9 May 2011	9 May 2011	9 May 2011
Grant date	4 March 2014	5 March 2013	16 February 2012
End of vesting period	31 December 2016	31 December 2015	31 December 2014
Expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	32,609	33,725	32,988
Number of performance share rights expected to vest	23,083	23,887	22,352
Value per share ⁽¹⁾	€37.50	€37.68	€35.30
Number of shares expected to vest at 31 December 2013	23,083	23,046	21,412
Rights cancelled/forfeited	10,391	6,553	1,396
Number of shares expected to vest at 31 December 2014	12,692	16,493	20,016

(1) SFL share price on the grant date.

A-3.2) Other current financial assets

Other current financial assets (in €)	Number	Unit purchase price	Cost	Market value	Gross gain or loss
Aviva Investors Monétaire C	430.9	2,258	973,098	973,814	716
Total	430.9	2,258	973,098	973,814	716

No provisions for impairment have been recorded against these financial assets.

A-4) Deferred charges

Debt issuance costs (in €)	Amortisation period	Total	Accumulated amortisation at 1 January 2014	Amortisation for the year	Accumulated amortisation at 31 December 2014	Net
Natixis 2010 syndicated loan fees	5 years	3,283,837	1,997,997	1,285,840	3,283,837	–
2011 bond issuance costs	5 years	2,876,717	1,486,304	901,371	2,387,675	489,042
Natixis loan renegotiation fees	4 years	876,231	464,939	411,292	876,231	–
2012 bond issuance costs	5 years	2,893,365	627,173	916,171	1,543,344	1,350,021
2013 BNP Paribas syndicated loan fees	5 years	3,604,437	360,444	720,887	1,081,331	2,523,106
2014 BECM loan fees	5 years	1,050,000	–	157,500	157,500	892,500
2014 Natixis loan fees	5 years	900,000	–	30,000	30,000	870,000
2014 bond issuance costs	7 years	2,457,156	–	29,252	29,252	2,427,904
Total		17,941,743	4,936,857	4,452,313	9,389,170	8,552,573

Fees are amortised over the life of the loan.

A-5) Debt redemption premiums

Redemption premiums (in €)	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2011 bonds	5 years	1,985,000	621,967	1,647,550	337,450
2012 bonds	5 years	2,295,000	726,750	1,224,000	1,071,000
2014 bonds	7 years	615,000	7,321	7,321	607,679
Total		4,895,000	1,356,038	2,878,871	2,016,129

Redemption premiums are amortised over the life of the loan.

A-6) Equity

A-6.1) Changes in equity

(in €)	
A. Equity at 31 December 2013 before appropriation of profit	1,074,397,718
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	–
C. Dividend paid during the year	
2013 dividend decided by the Annual General Meeting of 24 April 2014	(64,541,457)
Special distribution decided by the General Meeting of 14 November 2014	(32,268,243)
D. Movements for the period	
Share issues	–
Reduction in the share premium account	–
Change in untaxed provisions	1,896,434
Profit for the year	31,476,110
E. Equity at 31 December 2014	1,010,960,562
F. Change in equity during the year	(63,437,156)

At 31 December 2014, 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 46,102,279.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.14% of the capital at 31 December 2014.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties. Any decreases for the year correspond to excess tax depreciation reclassified to profit on the sale of the related buildings.

Untaxed provisions (in €)	31 December 2013	Increases	Decreases	31 December 2014
Excess tax depreciation	13,202,799	1,896,434	–	15,099,233
Total	13,202,799	1,896,434	–	15,099,233

A-6.2) Provisions for contingencies and charges

Provisions for contingencies and charges (in €)	31 December 2013	Increases	Decreases	31 December 2014
Provisions for refurbishment work and tenant claims	181,000	117,570	181,000	117,570
Provisions for employee benefits	1,363,402	489,064	341,986	1,510,479
Provisions for tax risks	–	–	–	–
Total	1,544,402	606,634	522,986	1,628,049

Provisions for employee benefits mainly concern performance share plan costs for €1,186 thousand. The €342 thousand decrease for the year corresponds to the provision reversed upon delivery of shares granted under the 2012 Plan 2.

For information about tax risks, see Note II-B.

A-7) Liabilities

Liabilities at 31 December 2014 by maturity (in €)	Total	<i>o/w accrued expenses</i>	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	1,210,629,795	10,629,795	10,629,795	700,000,000	500,000,000
Bank borrowings	156,589,480	256,923	56,589,480	100,000,000	–
Other borrowings					
. Tenant deposits	8,117,012	–	1,694,249	1,025,903	5,396,860
. Current account advances	40,595,852	292,327	292,327	–	40,303,525
Prepaid property rentals	5,288,699	–	5,288,699	–	–
Trade payables	6,917,642	5,844,142	6,917,642	–	–
Accrued payroll costs	4,282,261	3,712,973	4,282,261	–	–
Accrued taxes	9,994,624	51,117	4,091,399	5,903,225	–
Due to suppliers of property	19,098,140	12,085,649	19,098,140	–	–
Other liabilities	2,352,570	1,017,900	2,352,570	–	–
Deferred income	2,831,823	–	2,831,823	–	–
Total	1,466,697,898	33,890,825	114,068,385	806,929,128	545,700,385

Prepaid property rentals correspond to rental income received in advance and tenant payments covering property expenses falling due in the first quarter of 2015.

Accrued payroll costs include discretionary profit-sharing and bonus accruals.

Accrued taxes include annual exit tax instalments totalling €9,793 thousand in 2014.

Long and short-term debt (in €)	31 December 2014	31 December 2013	Year-on-year change
2011 bonds	308,401,027	514,001,712	-205,600,685
2012 bonds	401,304,110	501,630,137	-100,326,027
2014 bonds	500,924,658	–	+500,924,658
2009 BECM revolving line of credit	–	150,013,115	-150,013,115
2014 BECM loan	100,235,693	–	+100,235,693
CADIF loan	30,000,686	18,001,032	+11,999,654
BNP Paribas loan	–	50,148,581	-50,148,581
Bank overdrafts	26,353,101	98,746,189	-72,393,088
Total	1,367,219,275	1,332,540,766	34,678,509

B - Notes to the profit and loss account

B-1) Net revenue

(in €)	2014	2013
Property rentals and lease termination penalties	65,593,238	73,486,611
Property management fees	1,084,443	1,179,982
Key money	766,668	766,668
Other fees	914,711	1,134,505
Édouard VII Conference Centre revenue	982,312	1,097,155
Sub-total	69,341,372	77,664,921
Administration and accounting fees	140,000	139,000
Payments received for seconded employees	1,396,669	1,791,760
Sub-total	1,536,669	1,930,760
Total	70,878,041	79,595,681

The decline in property rentals and lease termination penalties was due, in particular, to rent free periods granted to new tenants.

B-2) Payroll costs

(in €)	Administrative staff	Building staff	2014 total	2013 total
Wages and salaries				
Wages and salaries	7,590,095	75,845	7,665,940	7,728,387
Sub-total	7,590,095	75,845	7,665,940	7,728,387
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	2,746,324	37,175	2,783,499	2,835,333
Other employee benefits expenses	450,262	5,795	456,057	377,916
Sub-total	3,196,586	42,970	3,239,556	3,213,249
Total	10,786,681	118,815	10,905,496	10,941,636

The remuneration awarded to Company directors and officers (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €3,711 thousand in 2014.

Directors' fees for the year represented a total of €323 thousand.

B-3) Employees at 31 December

(number)	2014	2013
Building caretakers	2	2
Administrative employees	7	7
Supervisors	8	8
Managers	47	47
Officers	1	2
Total	65	66

B-4) Fees paid to the Auditors

(in €)	PricewaterhouseCoopers Audit		Deloitte & Associés	
	2014	2013	2014	2013
Statutory and contractual audits	207,500	224,875	207,500	224,875
Other services	15,300	3,100	39,131	22,600
Total	222,800	227,975	246,631	247,475

B-5) Net financial expense

(in €)	2014	2013
Dividends from SAS Parholding	901,458	–
Dividends from SA Segpim	772,733	335,493
Dividends from SA SIIC de Paris	7,278,637	9,066,372
Revenue from SCI Paul Cézanne	10,649,416	9,905,847
Revenue from SCI Washington	7,590,107	5,010,726
Revenue from SCI 103 Grenelle	4,257,274	7,927,817
Sub-total	31,449,625	32,246,255
Interest income from the SCI Champvernier loan	102,431	150,135
Sub-total	102,431	150,135
Interest received on derivative instruments	–	–
Premiums/cash settlements received on derivative instruments	–	–
Interest income from current account advances to subsidiaries	2,731,791	2,663,246
Other financial income	3,606	23,802
Sub-total	2,735,397	2,687,048
Capitalised interest expense ⁽¹⁾	7,472,718	10,937,388
Reversals of impairment of current financial assets	–	968,463
Sub-total	7,472,718	11,905,851
Net gains from sales of current financial assets	56,055	9,509
Sub-total	56,055	9,509
Financial income	41,816,226	46,998,798
Change in provisions for bond redemption premiums	1,356,038	856,000
Impairment of treasury shares	353,894	–
Sub-total	1,709,932	856,000
Interest expense on bank loans	43,342,191	41,787,691
Interest expense on current account advances from subsidiaries	620,963	600,946
Interest expense on bank overdrafts	140,906	81,039
Bank loan arranging fees	6,508,121	7,134,068
Interest paid on derivative instruments	0	1,877,749
Other financial expenses ⁽²⁾	22,383,854	12,880,942
Sub-total	72,996,035	64,362,435
Finance costs and other financial expenses	74,705,967	65,218,435
Net financial expense	(32,889,741)	(18,219,637)

(1) Capitalised interest expense corresponds to borrowing costs incurred during the redevelopment of #cloud.paris, calculated at an average rate of 3.52% (i.e. the average rate of interest after hedging in 2014).

(2) Other financial expenses correspond to cash settlements paid on the unwinding of hedging instruments.

B-6) Other income and expense

(in €)	2014	2013
Capital gains and losses on property disposals, net	(10,020)	73,491,499
Capital gains and losses on sales of securities, net	68,964,335	(412)
Capital gains and losses on sales of treasury shares	(986,156)	9,344
Tax reliefs	143,641	33,570
Prior period adjustments, net	82,945	202,435
Movements on untaxed provisions	(1,896,434)	1,573,061
Movements on provisions for employee-related and tax risks	(21,780)	815,480
Insurance settlements	2,077,391	–
Total	68,353,922	76,124,976

The €68,964 thousand gain recorded in 2014 was generated on the July 2014 sale of the Company's interest in SIIC de Paris (see Note II-A – Asset Purchases and Sales).

B-7) Income tax expense

(in €)	2014	2013
Exit tax due following exercise of the purchase option under the Rives de Seine finance lease	–	11,806,449
Income tax expense	(56,278)	136,150
Prior year adjustment of income tax expense	–	1,316,876
3% surtax on distributed income	548	851,480
Total	(55,730)	14,110,955

C - Related party transactions

(in €)	2014	2013
Balance Sheet		
Non-current financial assets	391,584,964	627,556,996
Advances to subsidiaries and affiliates	22,516,646	22,844,416
Other loans	383,492	366,921
Trade receivables	1,515,017	531,600
Other receivables	526,034,558	299,158,611
Other borrowings	145,822	149,079
Trade payables	2,326,136	2,651,097
Other liabilities	40,595,851	39,659,502
Profit and loss account		
Revenue	1,936,417	3,130,760
Other income	652,428	745,650
Expense transfers	275,225	356,101
Other purchases and external charges	1,620,281	1,816,734
Taxes other than on income	107,146	–
Property management fees	1,812,715	1,987,904
Dividend income from subsidiaries and affiliates	31,469,474	32,246,255
Interest income on advances to subsidiaries and affiliates	2,403,509	2,356,174
Interest expense on liabilities related to advances to subsidiaries and affiliates	292,681	293,873

D - Finance leases

Finance lease commitments (in €)	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	37,753,220	4,967,762	2,263,092	–	26,000,000
Total	4,967,762	37,753,220	4,967,762	2,263,092	–	26,000,000

The values shown concern the portion of lease payments corresponding to the repayment of the principal.

Properties under finance leases (in €)	Cost at inception of the lease	Depreciation for the year	Accumulated depreciation	Net at 31 December 2014	Net at 31 December 2013
Land	38,112,254	–	–	38,112,254	38,112,254
Buildings	38,112,254	1,249,850	21,229,865	16,882,389	18,132,240
Total	76,224,508	1,249,850	21,229,865	54,994,643	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 €)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given	None			
Commitments received				
Guarantees received from tenants	15,644,596	2,457,663	3,063,829	10,123,103
Guarantees received from suppliers	28,712,821	281,917	28,430,905	–
Natixis 2010 syndicated line of credit	150,000,000	–	150,000,000	–
BNP Paribas syndicated line of credit	400,000,000	–	400,000,000	–
BECM syndicated line of credit	50,000,000	–	50,000,000	–

Hedging portfolio

The Company did not have any interest rate hedges at 31 December 2014.

Contractual redevelopment and renovation obligations

At 31 December 2014, contractual commitments relating to investment properties undergoing redevelopment or renovation totalled €70,647 thousand – of which 80.76% concerned the #cloud.paris project – compared with €90,077 thousand at 31 December 2013.

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, stood at €983 thousand at 31 December 2014.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own 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 1.49% and a 2% rate of future salary increases.
- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.

- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years' service, and one month's salary to caretakers who complete 25 years' service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As 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' reports

Statutory Auditors' report on the consolidated financial statements (P.201)

Statutory Auditors' report on the Company financial statements (P.202)

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 (P.203)

Statutory Auditors' special report on related party agreements and commitments (P.204)

The first of these is the *Journal of the American Medical Association* (JAMA), which has been a leading voice in the medical profession for over a century. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The second is the *New England Journal of Medicine* (NEJM), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The third is the *Lancet*, which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The fourth is the *British Medical Journal* (BMJ), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The fifth is the *Annals of Internal Medicine* (AIM), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The sixth is the *Journal of the American Society of Nephrology* (JASN), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The seventh is the *Journal of the American Society of Hypertension* (JASH), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The eighth is the *Journal of the American Society of Geriatrics* (JAGS), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The ninth is the *Journal of the American Society of Geriatrics* (JAGS), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health. The tenth is the *Journal of the American Society of Geriatrics* (JAGS), which is a leading journal in the field of clinical medicine. It is a weekly publication that covers a wide range of topics, from clinical medicine to public health.

Statutory Auditors' report on the consolidated financial statements Year ended 31 December 2014

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

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 2014, on:

- the audit of the accompanying consolidated financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with 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.

Neuilly-sur-Seine, 20 March 2015
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen



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 II. 3, II. 4, II. 22 and VI. 3 to the consolidated financial statements, all of the Group'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 II. 19, II. 22 and VI. 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.


Deloitte & Associés
Christophe Postel-Vinay

Statutory Auditors' report on the Company financial statements Year ended 31 December 2014

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

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 2014, 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 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.

Neuilly-sur-Seine, 20 March 2015
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen




Deloitte & Associés
Christophe Postel-Vinay

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 matter:

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 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.

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 2014

This is a free translation into English of the Statutory Auditors' 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.

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 2014.

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 corporate governance and on internal control; 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 corporate governance and internal control. 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, 20 March 2015

The Statutory Auditors

PricewaterhouseCoopers Audit

Philippe Gueguen




Deloitte & Associés
Christophe Postel-Vinay

Statutory Auditors' special report on related party agreements and commitments (Annual General Meeting held to approve the 2014 financial statements)

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments 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.

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 the shareholders to determine whether the agreements and commitments 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 2014 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

In accordance with Article L.225-40 of the French Commercial Code, we were informed of the following agreements and commitments authorised by the Board of Directors.

a) 2015: Agreement with Nicolas Reynaud

- Authorised at the Board meeting of 27 January 2015.
- Corporate officer concerned: Nicolas Reynaud, Chief Executive Officer since 27 January 2015.
- Payment of compensation for loss of office to Nicolas Reynaud in the event that he is dismissed from his position as Chief Executive Officer.

The agreement provides for the payment of compensation for loss of office to Nicolas Reynaud in the event that he is dismissed from his position as Chief Executive Officer as a result of a change in control or strategy and for reasons other than gross or wilful misconduct.

Said compensation would represent the equivalent of two years' fixed annual remuneration and bonuses, based on his latest fixed annual salary and, until 31 December 2017, the most recent bonus paid.

As from 1 January 2018, the variable component would be based on the average of the bonuses paid for the three years preceding his dismissal.

No exceptional bonuses or other components of his remuneration package other than those defined in the agreement would be taken into account in the calculation.

The compensation amount would also depend on the growth in the previous year's EPRA earnings compared with the average increase for the two preceding years, as follows:

Prior-year EPRA vs average for the two preceding years	Compensation for loss of office
100% or more	100%
Between 90% and 100%	80%
Between 75% and 90%	50%
Less than 75%	0%

In making the comparison, account would be taken of changes in the property portfolio in the years concerned.

b) 2014: Agreement with Bertrand Julien-Laferrière

- Authorised at the Board meeting of 8 July 2014.
- Corporate officer concerned: Bertrand Julien-Laferrière, Chief Executive Officer from 5 October 2010 to 8 July 2014.
- Settlement agreement specifying the terms of the application of the agreement entered into with Bertrand Julien-Laferrière dated 5 October 2010 following the decision of the Board of Directors of 8 July 2014 to end his term of office as Chief Executive Officer:
 - Confirmation of the allocation of shares awarded to Bertrand Julien-Laferrière on 16 February 2012;
 - Confirmation of the allocation of half of the shares awarded to Bertrand Julien Laferrière on 5 March 2013 in recognition of the performance objectives met, irrespective of him not being present within the Group at the vesting date as stipulated in the performance share plan;

- Confirmation of Bertrand Julien-Laferrière's continued use of a company car until 31 December 2014;
- Payment of €410,006 to Bertrand Julien-Laferrière in compensation for loss of office within 60 days following the end of his term of office.

The Board of Directors' meeting of 8 July 2014 which decided to end Bertrand Julien Laferrière's term of office as Chief Executive Officer noted that all the conditions for payment of compensation for loss of office stipulated in the agreement of 5 October 2010 had been met.

c) 2014: Agreement with SCI Paul Cézanne

- Authorised at the Board meeting of 24 April 2014.
- SCI Paul Cézanne is a wholly-owned subsidiary of Société Foncière Lyonnaise (SFL).
- On 17 March 2014, Société Générale agreed to stand surety for SCI Paul Cézanne with regard to Pitch Promotion (a French public limited company with capital of €30,026,550 and whose registered office is located at 6 rue de Penthièvre, 75008 Paris, listed on the Paris Companies Registry under number 422 989 715) for an amount of up to €248,220 regarding the payment due from SCI Paul Cézanne to Pitch Promotion under a contract to change the use of premises signed in Paris on 18 October 2013. SFL agreed to act as joint and several guarantor for its subsidiary, SCI Paul Cézanne, with regard to Société Générale up to the guaranteed principal amount of €248,220.

Agreements and commitments approved in prior years

I) Agreements and commitments that remained in force in 2014

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 2014.

a) Amendments to the agreements with Prédica

Authorised at the Board meeting of 15 November 2012 and amendments approved by shareholders at the Annual General Meeting of 18 April 2013.

Amendments dated 26 December 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 Chantal du Rivau and Jean-Jacques Duchamp are directors, and that the Crédit Agricole Group, of which Prédica is a member, holds over 10% of the voting rights in the Company, the amendments to the pact with Prédica are governed by Articles L.225-38 *et seq.* of the French Commercial Code.

b) Agreement with Prédica

Authorised at the Board meeting of 20 July 2009 and approved by shareholders at the Annual General Meeting of 19 April 2010.

Partnership agreement.

Following Predica's acquisition of Ile de France Investissements SA's 50% interest in Parholding SAS, SFL entered into a new partnership agreement with Predica to organise their relations as joint shareholders of Parholding.

Given that Chantal du Riva and Jean-Jacques Duchamp are directors, 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.

II) Agreements and commitments that were not applied in 2014

None

III) Agreements and commitments terminated in 2014

Agreement with Nicolas Reynaud.

Authorised at the Board meeting of 9 December 2008 and approved by shareholders at the Annual 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 is eligible for 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 ben-

efit 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 for reasons other than gross or wilful misconduct, subject to a commitment by Nicolas Reynaud not to encourage the departure of other SFL employees.

This agreement was terminated on 27 January 2015 with Nicolas Reynaud's appointment as Chief Executive Officer and the resulting conclusion of the term of office.

Neuilly-sur-Seine, 20 March 2015
The Statutory Auditors

PricewaterhouseCoopers Audit
Philippe Gueguen



Deloitte & Associés |
Christophe Postel-Vinay

The first part of the paper discusses the importance of the research and the objectives of the study. It then presents a literature review of the existing research on the topic. The second part of the paper describes the methodology used in the study, including the data collection and analysis techniques. The third part of the paper presents the results of the study, and the fourth part discusses the conclusions and implications of the findings.

The study was conducted using a quantitative research design. Data was collected from a sample of 100 participants using a survey questionnaire. The data was then analyzed using statistical software to identify patterns and trends. The results of the study indicate that there is a significant relationship between the variables being studied.

The findings of the study have several implications for practice and policy. First, the results suggest that the current approach to the issue is not effective. Second, the study highlights the need for further research in this area. Finally, the findings provide valuable insights for policymakers and practitioners alike.

In conclusion, the study has provided a comprehensive analysis of the research topic. The results of the study are clear and compelling, and the implications are far-reaching. Further research is needed to build on these findings and to develop more effective solutions to the problem at hand.

Additional Information

1. Persons responsible for the Registration Document and the audit of the accounts (P.210)
2. Additional legal information (P.212)
3. Additional information about the Company's capital and share ownership (P.213)
4. Additional Information about the Group's operations and organisational structure (P.216)

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, Chief Executive Officer.

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 pages 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.

Paris, 8 April 2015

Nicolas Reynaud, Chief Executive Office

A handwritten signature in black ink, appearing to read 'N. Reynaud', with a horizontal line drawn underneath the name.

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 Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers, 92200 Neuilly-sur-Seine, France Represented by Philippe Gueguen	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						Deloitte & Associés					
	Amount (excl. VAT)			%			Amount (excl. VAT)			%		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Statutory and contractual audits												
Issuer	207,500	224,875	224,875	68%	71%	66%	207,500	224,875	224,875	84%	91%	85%
Fully consolidated subsidiaries	83,060	89,980	94,625	27%	28%	28%	–	–	–	–	–	–
Audit-related services												
Issuer	15,300	3,100	20,000	5%	1%	6%	39,131	22,600	39,500	16%	9%	15%
Fully consolidated subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	305,860	317,955	339,500	100%	100%	100%	246,631	247,475	264,375	100%	100%	100%
Other services												
Legal and tax advice	–	–	–	–	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–	–	–	–	–	–
Sub-total	–	–	–	–	–	–	–	–	–	–	–	–
Total	305,860	317,955	339,500	100%	100%	100%	246,631	247,475	264,375	100%	100%	100%

2. Additional legal information

Corporate name and registered office

- Corporate name: Société Foncière Lyonnaise
- Registered office: 42 rue Washington, 75008 Paris, France
- Phone: 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: 6820 B.

Financial year

1 January to 31 December.

Market for the Company's shares

SFL shares are quoted on NYSE Euronext Paris, compartment A.

ISIN: FR0000033409

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 42 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 laws. 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 2014

As of 31 December 2014, 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.

Shareholders will be asked to review this authorisation at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2014.

The Annual General Meeting of 24 April 2014 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.

The shareholder authorisations concerning treasury shares are described on page 35 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 available at: <http://www.inmocolonial.com/en/informaciones-para-accionistas-inversores/>

3.3 Ownership structure

SFL's ownership structure is described on page 30 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 Shareholders' pacts

See page 40 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 and Chief Executive Officer were separated from 14 April 2010 to 8 July 2014.

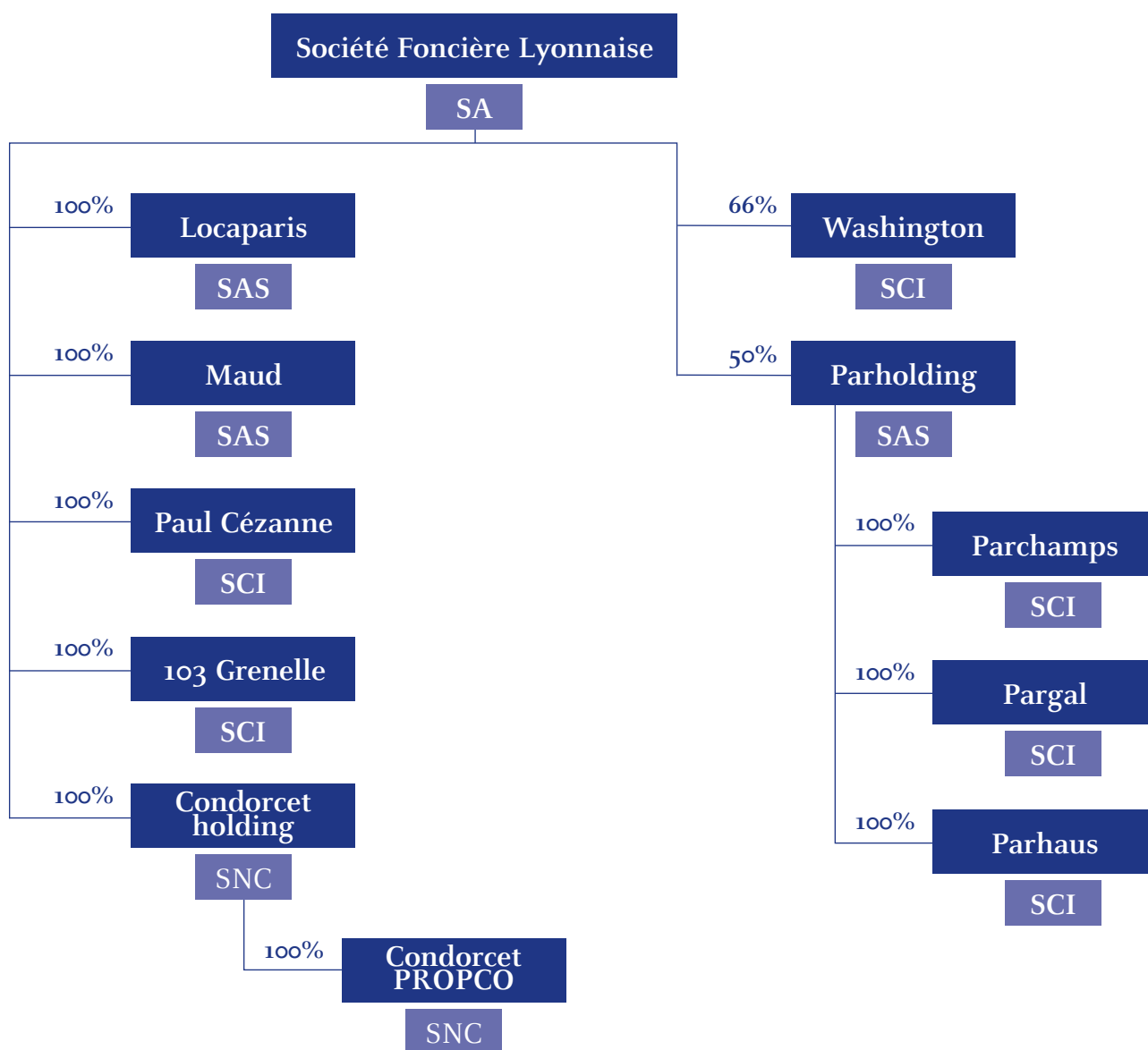
On 23 July 2014, the Board of Directors decided to combine the positions of Chairman of the Board of Directors and Chief Executive Officer.

At its meeting on 27 January 2015, the Board of Directors decided to separate the positions of Chairman of the Board of Directors and Chief Executive Officer.

The Chairman's report on corporate governance and internal control can be found on page 92 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

Statement by experts

SFL's entire property portfolio was valued at 31 December 2014, 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 2014 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 metre 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% or 6.9% for all properties subject to registration duty), and also excluding transfer costs.

At the request of the Group, the valuation method used in December 2014 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 2014 is **€3,943,167,032** excluding transfer costs and **€4,147,707,228** including transfer costs by Group share (enclosed value by building).



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Historical financial information

Financial statements and Statutory Auditors' reports for 2014: 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 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.

■ The consolidated financial statements for the year ended 31 December 2013, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 143 to 175 and 199 of the 2013 Registration Document filed with the AMF on 10 April 2014 under No. D.14-0339.



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