

**SFL**

# **2008 INTERIM RESULTS**

*24 July 2008*

1

## Introduction & Key Figures

---

2

## Property Portfolio at 30 June 2008

---

3

## First-Half Business Review

---

4

## First-Half Financial Statements and Results

---

## Appendices

1

## Introduction & Key Figures

---

2

## Property Portfolio at 30 June 2008

---

3

## First-Half Business Review

---

4

## First-Half Financial Statements and Results

---

## Appendices

# Key Figures

	H1 2008	H1 2007	% change
Property rentals (IFRS)	€89.7m	€83.3m	+7.8%
Operating profit before fair value adjustments	€74.9m	€72.3m	+3.6%
Fair value adjustments to investment properties	(€253.0m)	€274.2m	
Profit on disposal of investment properties	0.0	0.0	
(Loss)/profit attributable to equity holders	(€180.8m)	€306.4m	
Current cash flow attributable to equity holders	€50.2m	€48.2m	+4.2%
Current cash flow per share attributable to equity holders	€1.08	€1.08	≈
Portfolio value, excluding transfer costs, at 30 June attributable to equity holders	€3,714m	€3,827m	-2.9%
NAV per share, including transfer costs	€57.5	€62.5	-8.0%
Loan-to-value	29.0%	24.4%	

1

 Introduction & Key Figures

---

2

 **Property Portfolio at 30 June 2008**

---

3

 First-Half Business Review

---

4

 First-Half Financial Statements and Results

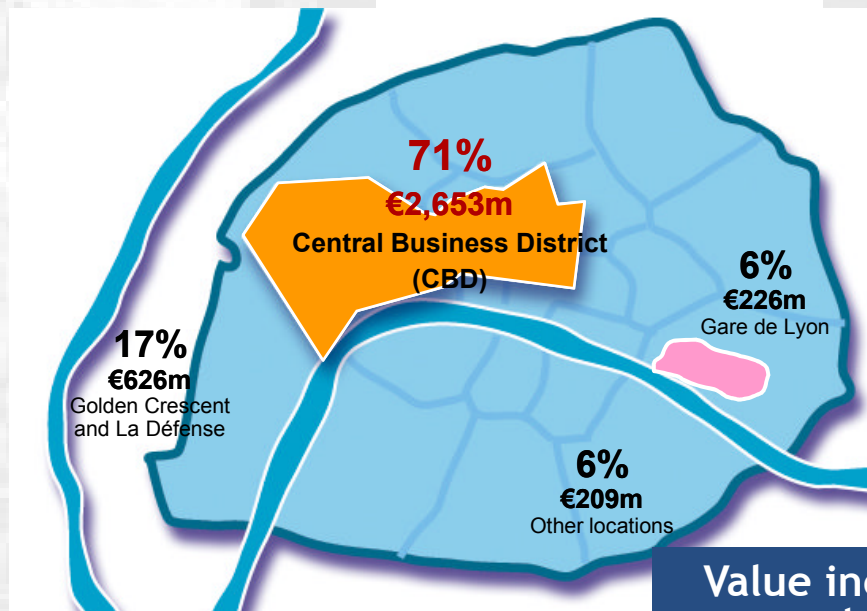
---

 Appendices

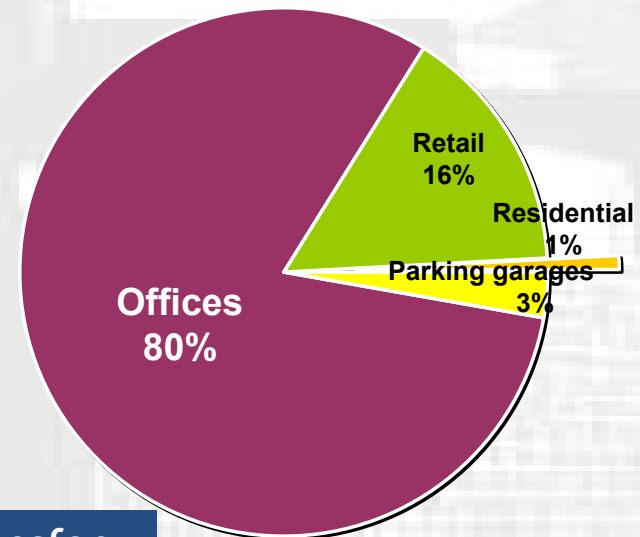
# Property Portfolio

**Appraisal value at 30 June 2008 (excluding projects in progress)**  
**€3,714m excluding transfer costs**  
(down 5.0% on 31 Dec. 2007/down 2.4% YoY like-for-like)

## Geographic focus



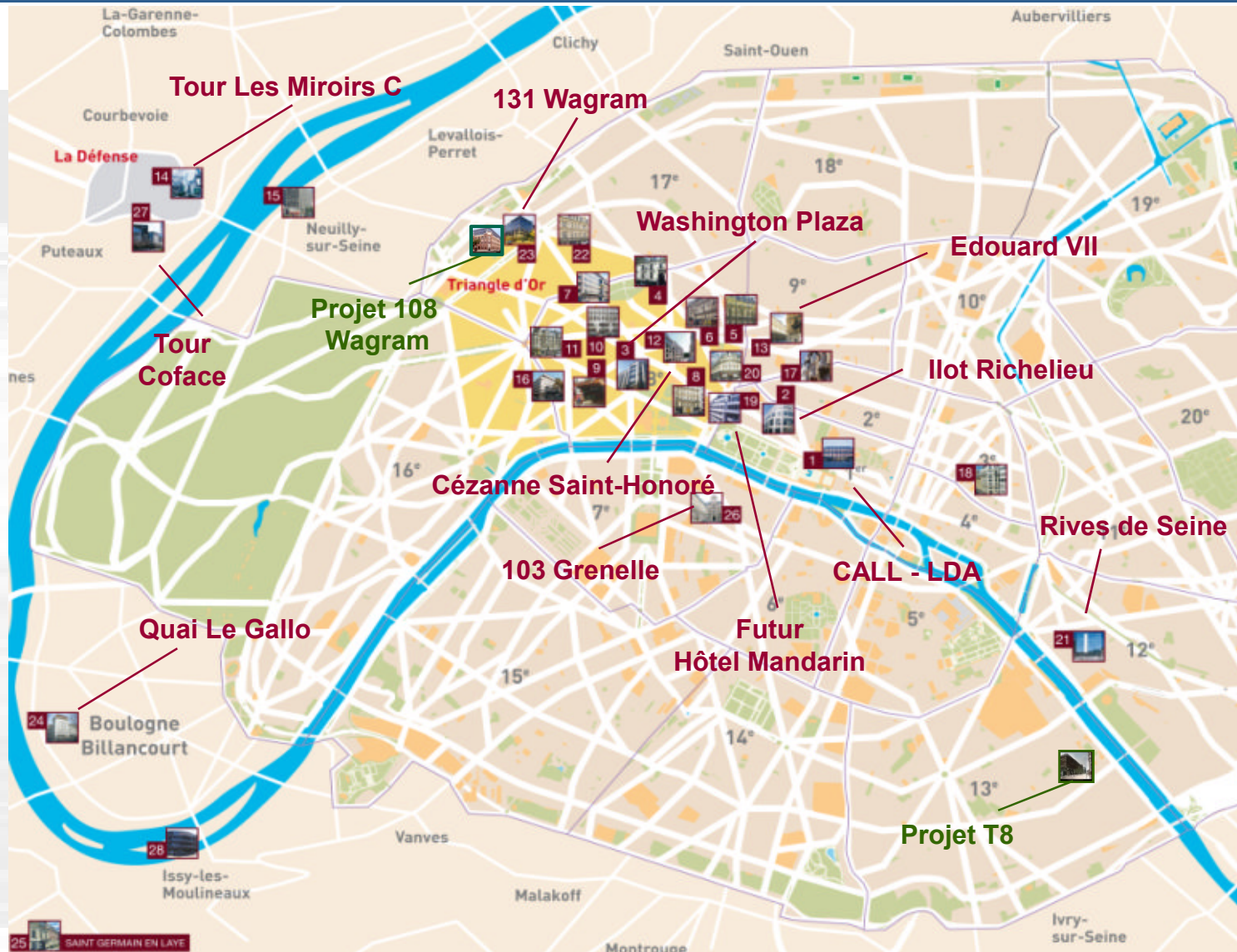
## Property focus



**Value including transfer costs = €3,924m**



# Locations



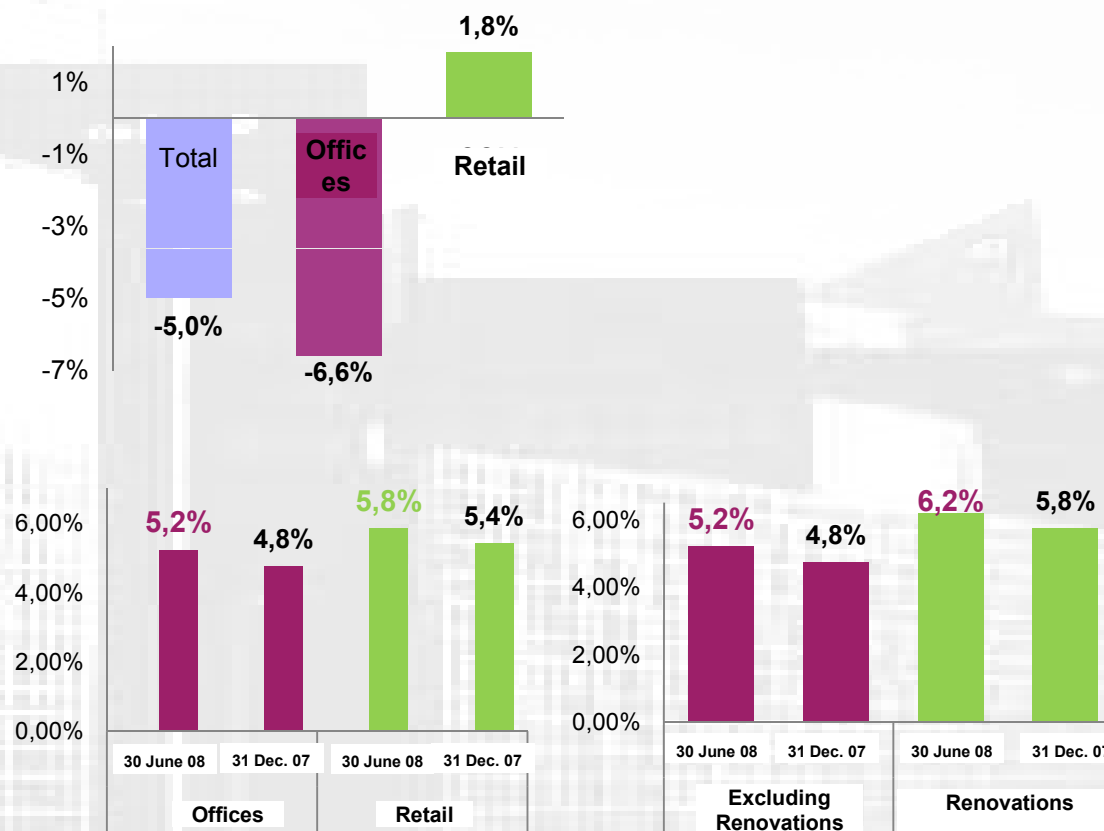
# Appraisal Values at 30 June 2008

**Appraisal value (attributable): €3,714m excluding transfer costs  
(down 2.9% on 30 June 2007)  
€3,924m including transfer costs**

**Like-for-like portfolio  
(excl. transfer costs)  
down 5,0% on 31 Dec. 2007  
(up 2.7% in 2007)**

**Average value per sq.m.  
(excl. transfer costs)  
€8,873  
(€9,062 at 31 Dec. 2007)**

**Spot yield <sup>(1)</sup>  
5.4%  
(4.9% at 31 Dec. 2007)**



(1) (Passing rent + Market rent on vacant properties) / (Appraisal value including transfer costs + Capex)



1

 Introduction & Key Figures

---

2

 Property Portfolio at 30 June 2008

---

3

 **First-Half Business Review**

---

4

 First-Half Financial Statements and Results

---

 Appendices

# Paris Region Office Rental Market in first-half 2008



## PARIS REGION

- **Total H1 2008 rental volume:** 1.2 million sq.m., down 19.3% on H1 2007, with Q2 down 2% on Q1
- **Immediately available stock:** 2.6 million sq.m. at 30 June 2008, up 5% on Q1 2008  
→ Vacancy rate up slightly at 5.3% vs. 4.9% at 31 December 2007
- **Average rent at end-H1 2008:** €318/sq.m./year, up 8% over 1 year, up 2% over Q1. Deal sweeteners increasingly common. Longer marketing periods.

## PARIS CENTRE WEST & CBD

- **Total H1 2008 rental volume:** 218,583 sq.m. (19% of Paris region market), down 34% on H1 2007
- **Immediately available stock** stable → H1 2008 vacancy rate up slightly at 3.4%
- **Prime rents at end-H1 2008:** €830/sq.m./year
- **Average rents:** €538/sq.m./year, up 5% vs. 31 December 2007

## H2 2008 OUTLOOK

- Transaction volume reasonable in first-half, but initial signs of a loss of momentum. Increase in immediately available stock → net absorption may decline → increased recourse to deal sweeteners
- Users are jittery, rent increases are limited
- Rental volume expected to decline to around 2.3 / 2.5 million sq.m. for the year
- A number of construction projects in Paris suburbs likely to be put on hold

Sources : Immostat et AtisReal

# Pars Region Commercial Property Investment Market in H1 2008



## FRANCE & PARIS REGION

- Total deal flow in **France in H1 2008: €8.1billion** (down 48% vs. H1 2007)  
Offices: 73% (H1 2007: 68%), Retail 5% (H1 2007: 14%), Warehouses 6% (H1 2007: 9%), Services 12% (H1 2007: 4%) → Investors are refocusing on offices
- **Paris region: €4.6 billion** (down 57% vs. H1 2007)
- Lower average transaction amount
- Fall in proportion of foreign investors (particularly Americans: 22% vs 43%) and increased activity by SCPIs/OPCIs (9% of market vs 2%)
- Office yields up sharply in Paris region (up 50 to 100 bps vs. 2007); more modest increase in other regions (up 20 to 65 bps). Retail yields up 20 to 50 bps.

## PARIS CENTRE WEST & CBD

- Total deal flow: €0.8 billion. Share of Paris region market down to 18%, overtaken by Western Crescent (23% of market)
- Prime CBD yields up 95 bps to 4.75%
- Ongoing downward repricing, with increased risk premiums particularly for non-prime

## H2 2008 OUTLOOK

- The subprime crisis has made it harder for investors to raise financing → The market for lower yield properties (< 5.5%) is becoming less liquid
- Repricing is taking place gradually, unlike in London which saw a much sharper correction → competition between the two capitals
- More coherent yields, with high quality, safe investments commanding a premium
- Adjustment of market values → Decline in average transaction amount (< €15 billion)

Sources: Immostat, CBRE, CWHB and AtisReal

# H1 2008 European Comparison

## Commercial property investment market



Main markets	Investment			H1 2008 investment by sector			Prime yield		
	H1 2008 (€ bn)	H1 2007 (€ bn)	% change	Offices	Retail	Other <sup>(1)</sup>	Q2 08	Q2 07	% change YoY
Central London	6.0	15.8	- 62.1%	83%	6%	11%	5.25	3.75	+40%
Central Paris	3.5	9.7	- 64.0%	98%	1%	1%	4.75	3.80	+25%
Munich	0.9	11.8	- 92.7%	35%	36%	23%	4.50	4.10	+10%
Frankfurt	0.9	4.7	- 81.4%	89%	5%	4%	4.65	4.10	+13%
Berlin	1.6	2.7	- 41.1%	9%	25%	58%	4.75	4.40	+10%
Madrid	3.1	1.4	+ 124.4%	89%	5%	3%	4.75	3.90	+22%
Brussels	0.7	0.9	- 19.0%	93%	0%	5%	5.35	5.50	- 3%
<b>TOTAL</b>	<b>16.7</b>	<b>47.1</b>	<b>- 64.5%</b>						

(1) Warehouses, hotels, medical facilities, recreational facilities, etc.

Source : AtisReal

Yields are continuing to rise but repricing does not seem to have gone far enough to attract investors, as evidenced by the sharp drop in total investment.

Offices remain the flagship product, but there are signs of a shift in the market towards other types of property, mainly service sector properties, led by Germany.

Sharp rise in net yields for prime properties, particularly in Paris and Madrid but above all in London where yields fell to an exceptionally low level in 2007.

# H1 2008 European Comparison

## Office rental market



Main markets	Take-up			Vacancy rate			Prime rent			Average rent CBD Q2 08
	H12008 (in sq.m. '000s)	H12007 (in sq.m. '000s)	% change	Q2 08	Q2 07	% change YoY	Q2 08 (€/sq.m./y)	Q2 07 (€/sq.m./y)	% change YoY	% YoY change (€/sq.m./y)
Central Paris	972	1,164	- 16.5%	4.9%	5.1%	- 13%	830	850	-2%	562 (+4%)
Central London	408	631	- 35.3%	4.8%	4.3%	- 23%	1,632	1 564	+5%	687 (+13%)
Madrid	291	556	- 47.7%	7.7%	6.8%	- 4%	492	456	+8%	343 (+17%)
Munich	400	370	+ 8.1%	8.8%	8.4%	+ 9%	390	372	+5%	215 (-3%)
Frankfurt	296	202	+ 46.5%	12.6%	14.2%	- 8%	450	420	+ 7%	230 (-11%)
Brussels	208	296	- 29.7%	9.5%	n.a	- 5%	295	300	-2%	187 (-4%)
Berlin	238	194	+ 22.7%	8.0%	8.3%	- 1%	264	250	+6%	188 (-2%)
<b>TOTAL</b>	<b>2,813</b>	<b>3,413</b>	<b>- 17.6%</b>							

Source : AtisReal

Completed lettings: down in all markets except German cities where rental demand was strong in the first half.

Vacancy rates declined overall year-on-year but stabilised in Q1 2008, concealing the first signs of increases in Paris, Madrid and Munich. No major risk of a sharp drop in rents in the short term.

Prime rents started to level off, although year-on-year increases were observed in some markets, and deal sweeteners became increasingly common.

Average CBD rents followed the upward trend. However, while prime properties in mature markets (London, Paris, Madrid) commanded a premium, prime rents in Germany declined.

# 108 Wagram Project

## Off-Plan Purchase



**Developer:** Transimmeubles  
**Architect:** B&B ARCHITECTES  
**Investor:** SFL

### Useable surface area:

- 4,373 sq.m. offices
- 970 sq.m. leased to French Post Office
- 23 parking spaces

**Tenant:** The Post Office leases the ground floor under a 6/9-year commercial lease that came into effect on 21 December 2007.

### Forecast timeline:

- **February 2008:** Off-plan purchase/sale options signed
- **April 2008:** Application for building permit filed
- **July 2008:** Building permit issued
- **Q4 2008:** Off-plan purchase agreement signed
- **Q4 2010:** Property delivered





# T8 Project- Paris Rive Gauche

## Acquisition and development project



**Developer:** Nexity

**Architect:** Rudy Ricciotti

**Investor:** SFL

### Space allocation (pre-project estimate):

- 21,238 sq.m. of offices
- 7,966 sq.m. of shops
- 1,454 sq.m. of retail booths
- 6,275 sq.m. of residential units
- 200-space parking garage (under 30-year concession)

### Forecast timeline:

- **October 2007:** Memorandum of understanding signed with SEMAPA
- **July 2008:** Development contract signed with Nexity
- **October 2008:** Building permit application filed
- **Q1 2010:** Cover delivered by SEMAPA and agreement signed for transfer of charges on T8 land
- **H2 2012:** Building delivered by Nexity.



# Current Renovation Projects

## New growth drivers

Property	District	Type	Renovated surface area	Forecast rentals (100% basis)	Delivery
103, rue de Grenelle	Paris 7	Offices	17,630 sq.m.	€11.3m	H2 2008
Galerie des Champs Elysées (100%)	Central Business District	Retail	6,239 sq.m.	€9.2m	H2 2010
247-251, rue Saint Honoré	Central Business District	Hotel/ Retail	16,203 sq.m.	10.5 - €12.7m	H2 2010
92, av. des Champs Elysées	Central Business District	Offices/ Retail	7,313 sq.m.	€8.8m	H1 2011
<b>Total</b>			<b>47,385 sq.m.</b>		



103, rue de Grenelle  
Paris 7ème



92 av. des Champs Elysées,  
Paris 8ème

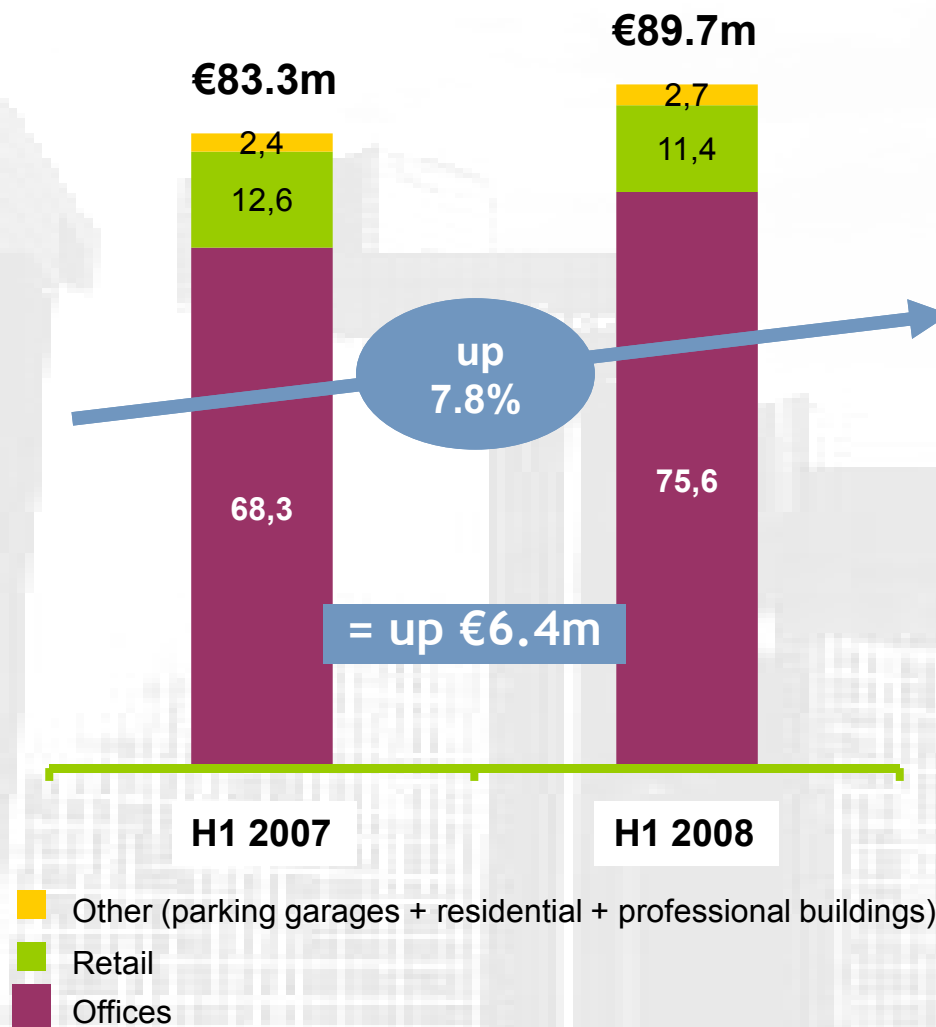


Galerie des Champs Elysées,  
Paris 8ème



247-251, rue Saint Honoré  
Paris 1er

# Rental Revenues



# Rental Revenues

## H1 2008 versus H1 2007

<b>H1 2007 rental revenues</b>	<b>€83.3m</b>
Like-for-like growth	+€2.1m
Increase due to purchases and post-renovation remarketing	+€6.8m
Decrease due to sales and major renovations	-€2.5m
<b>H1 2008 rental revenues</b>	<b>€89.7m</b>

**Reported increase**  
**7.8%**

**Like-for-like increase**  
**2.7% <sup>(1)</sup>**

(1) up 8.3% excluding the LDE-LDA property



# Marketing Programme

**New leases: 10,480 sq.m.**

## Offices

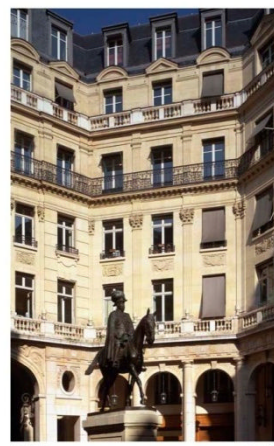
- 9,367 sq.m. marketed or remarketed
- Total rent: €5,221,000 or €557/sq.m./year
- Attributable to SFL: €4,977,000

## Retail

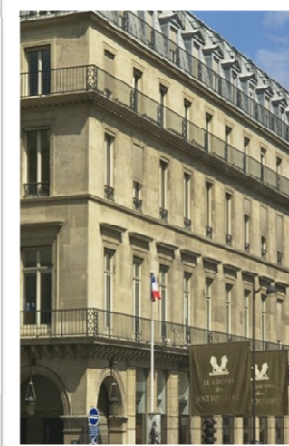
- 834 sq.m. marketed
- Total rent: €526,000 or 631 €/sq.m./year
- Attributable to SFL: €371,000

**Rents on new leases:  
up 12.9% <sup>(1)</sup>**

(1) Based on rents on new or renegotiated leases in H1 2008.



**EDOUARD VII**  
Tenant: **Servcorp**



**LDE-LDA**  
Tenant: **Musée du Louvre**



**62 BEAUBOURG**  
Tenant: **Ministère de la Culture**

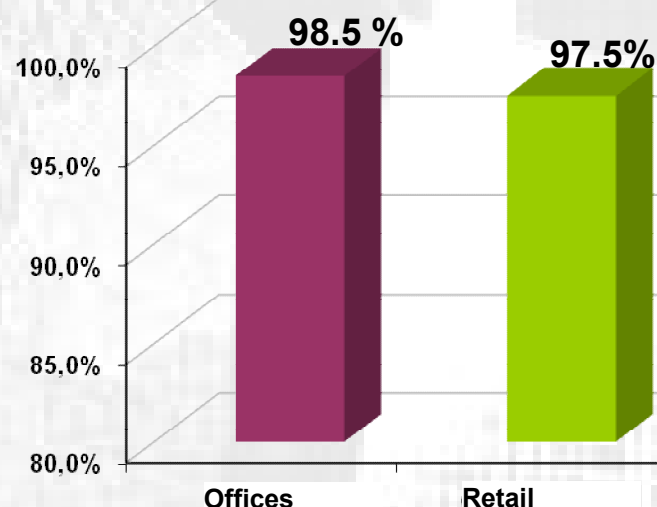
## Main leases signed in H1 2008

Property	Type	Surface (sq.m.)	Tenant
62 RUE BEAUBOURG	Offices	2,922	MINISTERE DE LA CULTURE
LDE-LDA	Offices	1,854	MUSEE DU LOUVRE
EDOUARD VII	Offices	1,747	SERVCORP
96 AVENUE D'IEANA	Offices	1,174	W FINANCE
38-44 RUE WASHINGTON	Offices	551	POWEO EXTENSION
176 CHARLES DE GAULLE	Offices	488	HUDSON EXTENSION
EDOUARD VII	Retail	339	COIN DE RUE
HSA	Retail	195	STARBUCKS COFFEE FRANCE

# Occupancy Rates

**Occupancy rate<sup>(1)</sup> at 30 June 2008: 98.5%**  
(98.9% at 31 December 2007)

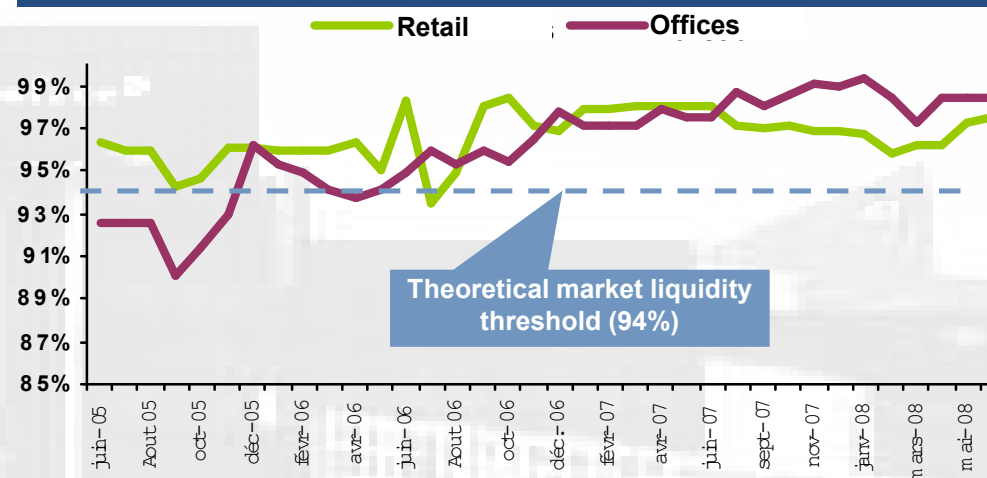
## Occupancy rate by property type



## Office occupancy rates at 30 June 2008

SFL:	98.5 %
Central Business District <sup>(3)</sup> :	96,6 %
La Défense <sup>(3)</sup> :	96,4 %
Paris region <sup>(3)</sup> :	94,7 %

## Occupancy rates, June 2005 - May 2008 <sup>(2)</sup>



## Occupancy rates

Average for the period<sup>(4)</sup>

H1 2008: 98.4%

Financial<sup>(5)</sup>

H1 2008: 97.2% (2007: 97.3%)

(1): Attributable to SFL, excluding surface areas undergoing renovation or refurbishment

(2): Month-end spot rates, based on surface area attributable to SFL.

(3): Source: Atisreal, e Flash Bureaux Ile de France July 2008.

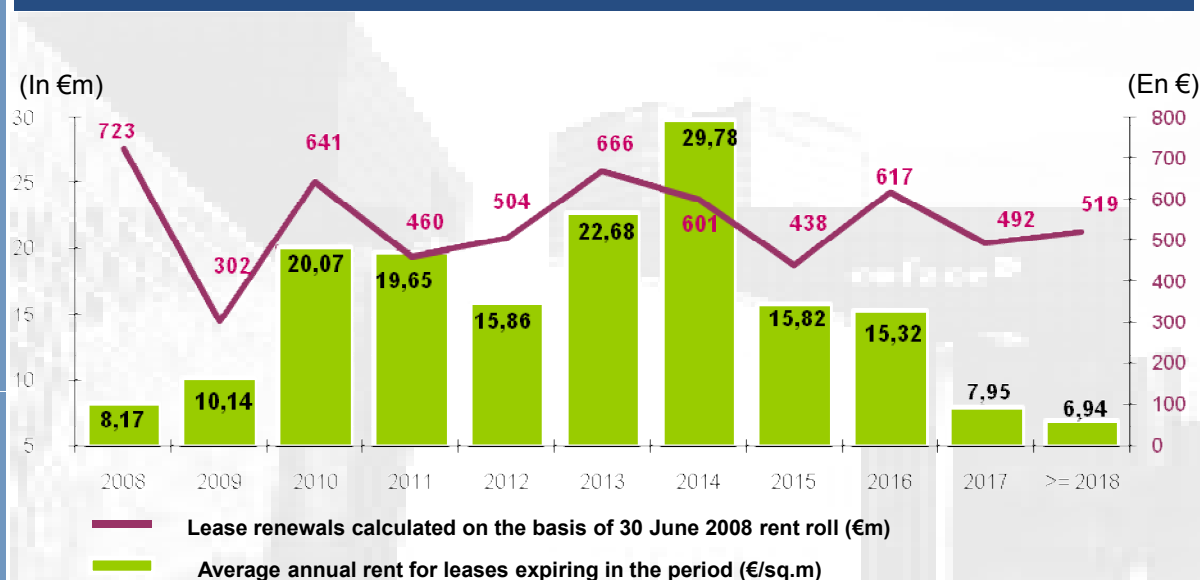
(4): Average end-of-month spot rate based on surface areas attributable to SFL, excluding surface areas and buildings undergoing renovation or refurbishment

(5): Attributable to SFL, excluding surface areas and buildings undergoing renovation or refurbishment (Assumed rent for vacant units/Passing rent + assumed rent)

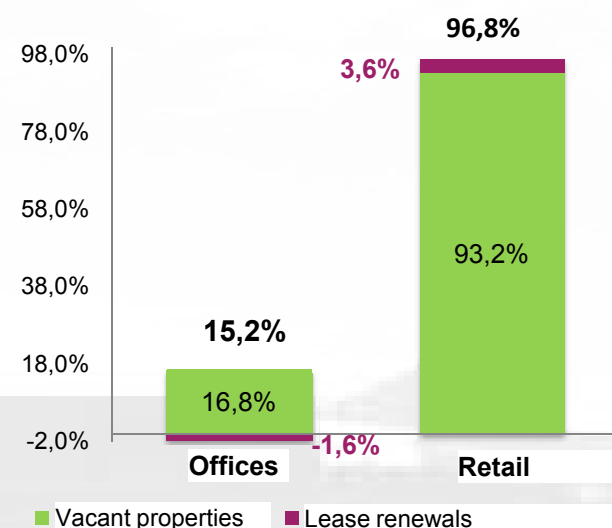


# Lease Renewals and Reversionary Potential

## Commercial lease expiry dates



## Reversionary potential<sup>(3)</sup>



Average rent, SFL office properties, 30 June 2008:

**€550/sq.m./year**  
(up 1.3% from €543/sq.m./year at 31 Dec. 2007)

Legal lease term<sup>(1)</sup>  
**5.0 years**

Remaining lease term <sup>(2)</sup>  
**3.3 years**

Reversionary potential<sup>(3)</sup>  
**25.3%**

- (1) Weighted average period remaining for leases in progress as of 30 June 2008, up to lease expiry date.  
(2) Weighted average period remaining for leases in progress as of 30 June 2008, up to next potential exit date  
(3) As a percentage of current rents

1

 Introduction & Key Figures

---

2

 Property Portfolio at 30 June 2008

---

3

 First-Half Business Review

---

4

 **First-Half Financial Statements and Results**

---

 Appendices

# First-Half 2008 Results

€m	H1 2008	H1 2007	% change	Full-year 2007
Property rentals	89.7	83.3	7.8%	170.4
Property costs, net of recoveries	(4.5)	(3.8)	18.1%	(8.1)
<b>Net property rentals</b>	<b>85.2</b>	<b>79.5</b>	<b>7.3%</b>	<b>162.3</b>
Service and other revenues	3.5	3.3		7.2
Depreciation, amortisation and provision expense, net	(2.1)	0.2		(1.5)
Employee benefits expense and other expenses	(11.7)	(10.6)		(20.6)
<b>Operating profit before fair value adjustments</b>	<b>74.9</b>	<b>72.3</b>	<b>3.6%</b>	<b>147.3</b>
<b>Fair value adjustments to investment properties</b>	<b>(253.0)</b>	<b>274.2</b>		<b>365.1</b>
<b>Operating profit</b>	<b>(178.1)</b>	<b>346.5</b>		<b>512.4</b>
Profit on disposal of investment properties	0.0	0.0		3.3
Finance costs, net	(23.4)	(19.8)		(43.4)
Share of profit of associates	0.0	17.9		15.5
<b>Profit before income tax</b>	<b>(201.5)</b>	<b>344.6</b>		<b>487.8</b>
Income tax expense	6.5	(13.7)		(36.4)
<b>Profit for the period</b>	<b>(195.0)</b>	<b>330.9</b>		<b>451.4</b>
Minority interests	14.2	(24.5)		(34.9)
<b>Profit attributable to equity holders</b>	<b>(180.8)</b>	<b>306.4</b>		<b>416.5</b>

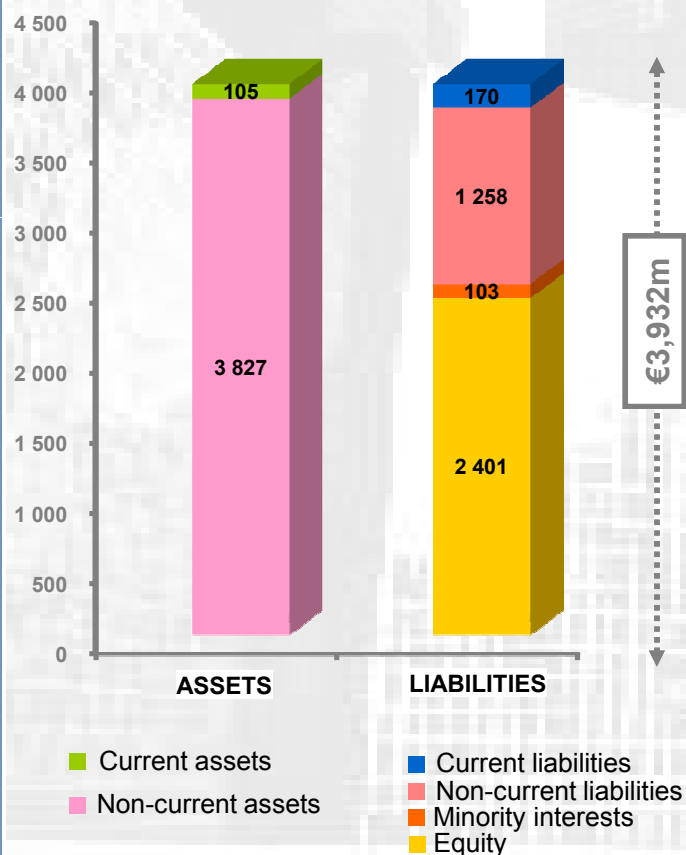
# Current Cash Flow<sup>(1)</sup>

€m	H1 2008	H1 2007	% change	Full year 2007
Property rentals, net	85.2	79.5		162.3
IFRS adjustments - Property rentals	0.5	(0.7)		(1.6)
Other income	3.5	3.3		7.2
Employee benefits expense and overheads	(11.3)	(11.7)		(21.1)
Finance costs, net	(24.6)	(19.5)		(43.3)
<b>Current Cash Flow</b>	<b>53.3</b>	<b>50.9</b>	<b>4.7%</b>	<b>103.5</b>
<b>Attributable Current Cash Flow</b>	<b>50.2</b>	<b>48.2</b>	<b>4.2%</b>	<b>97.2</b>
Average number of shares (in thousands)	46,502	44,789	+3.8%	45,646
<b>Current Cash Flow per share</b>	<b>€1.15</b>	<b>€1.14</b>	<b>0.9%</b>	<b>€2.27</b>
<b>Attributable Current Cash Flow per share</b>	<b>€1.08</b>	<b>€1.08</b>	<b>≈</b>	<b>€2.13</b>

(1) Before disposal gains

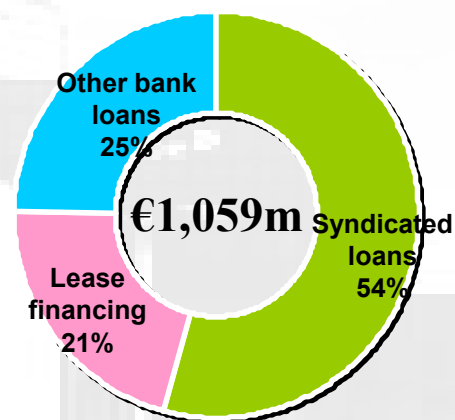
# Consolidated Balance Sheet

## Consolidated balance sheet at 30 June 2008 (€m)

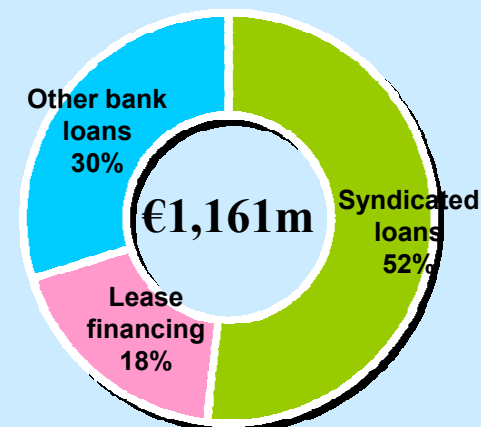


## Debt structure

At 31 Dec. 2007



At 30 June 2008



## Loan-to-value ratio

At 31 Dec. 2007

25.2%

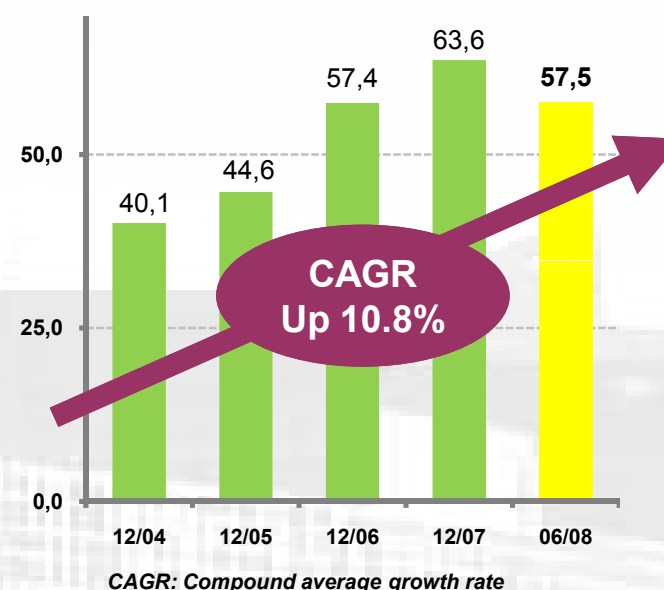
At 30 June 2008

29.0%

# NAV Per Share

NAV calculation (€m)	30/06/08	31/12/07	% change
Equity	2,401	2,664	
Unrealised capital gains	39	45	
Dilution gain	25	26	
<b>NAV excl. transfer costs</b>	<b>2,464</b>	<b>2,734</b>	<b>-9.9%</b>
Transfer costs on property portfolio	210	223	
<b>NAV incl. transfer costs</b>	<b>2,674</b>	<b>2,958</b>	<b>-9.6%</b>
Diluted number of shares (thousands)	46,529	46,529	
<b>NAV/share excl. transfer costs</b>	<b>€53.0</b>	<b>€58.8</b>	<b>-9.9%</b>
<b>NAV/share incl. transfer costs</b>	<b>€57.5</b>	<b>€63.6</b>	<b>-9.6%</b>

## Growth in NAV per share incl. transfer costs (€)



NAV/share (incl. transfer costs):  
down 9.6% vs. 31 Dec. 2007  
down 8.0% vs. 30 June 2007



# H1 2008 Results

■ [www.fonciere-lyonnaise.com](http://www.fonciere-lyonnaise.com)



**SFL**  
SOCIÉTÉ FONCIÈRE LYONNAISE

welcome to the Société Foncière Lyonnaise web site Langue :

**A BENCHMARK LEADER** IN THE PARIS  
COMMERCIAL PROPERTY MARKET

**News**  
**23 July 2008**  
Yves Mansion named Chairman and Chief Executive Officer / First-half 2008 results  
> see details  
**13 May 2008**  
SFL: First quarter 2008  
> see details

**SHARE PRICE**  
24/07/2008- 09:40:50  
**€ 49.00**  
ISIN: FR0000033409  
**Annual Report 2007**

*"With a portfolio valued at nearly €4 billion of exceptional property assets located primarily in the Central Business District (CBD) of Paris, SFL is the preferred vehicle for investors wishing to invest in the French capital's commercial property market"*

**DIARY DATES**  
**24 July 2008**  
Presentation of 2008 first-half results at 14h30  
Centre de conférences Edouard VII  
23, square Edouard VII - 75009 PARIS

**THE COMPANY** **THE PORTFOLIO**  
**FINANCE** **SUSTAINABLE COMMITMENTS**  
**MANAGING AND MARKETING OUR PROPERTY PORTFOLIO** **SHAREHOLDER'S NOTE**

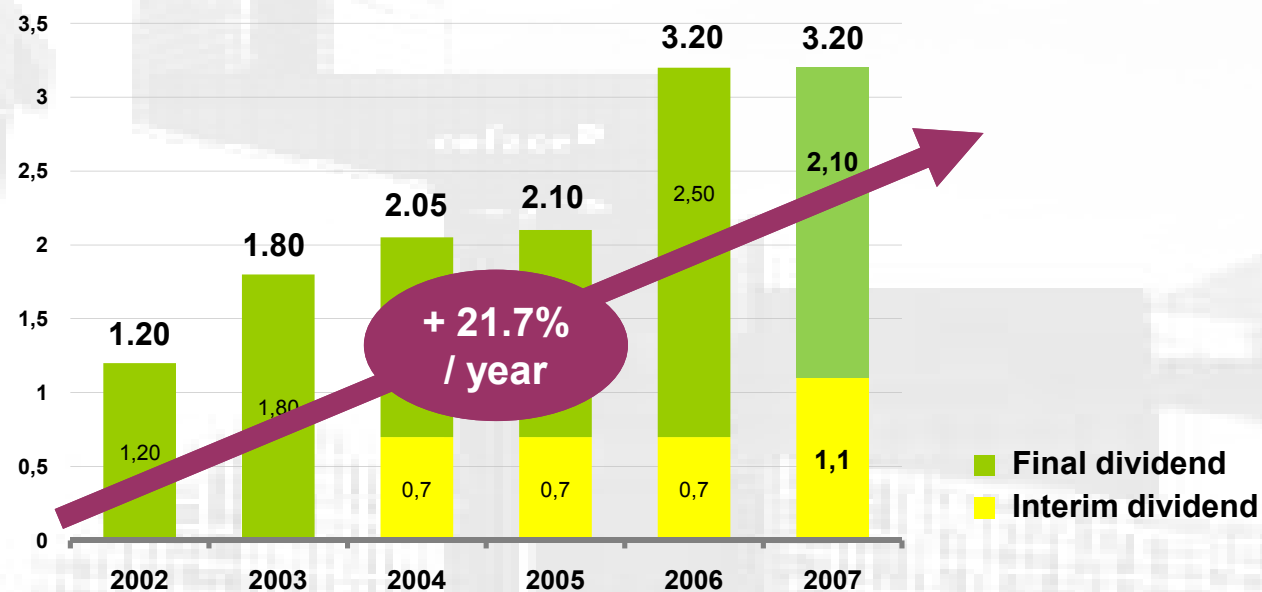
Langue : [credits](#) | [site map](#) | [contact us](#) | [search/help](#) | [disclaimer](#) | [legal notice](#)

# APPENDICES



# SFL, a yield stock

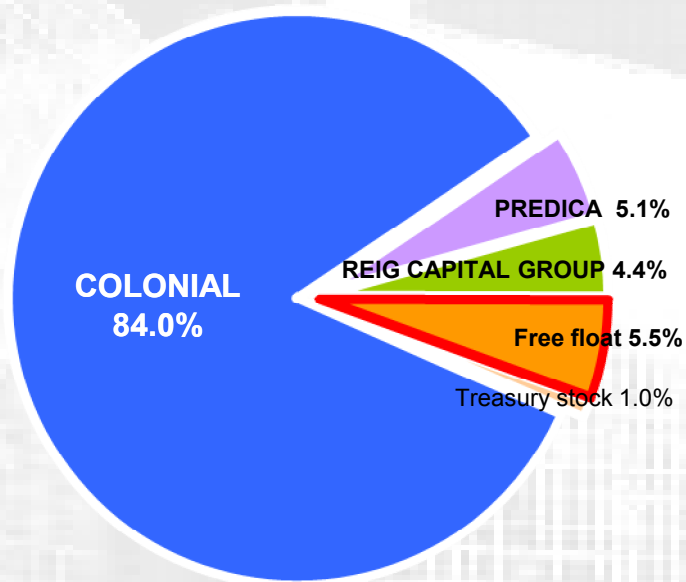
## Dividend (€/share)



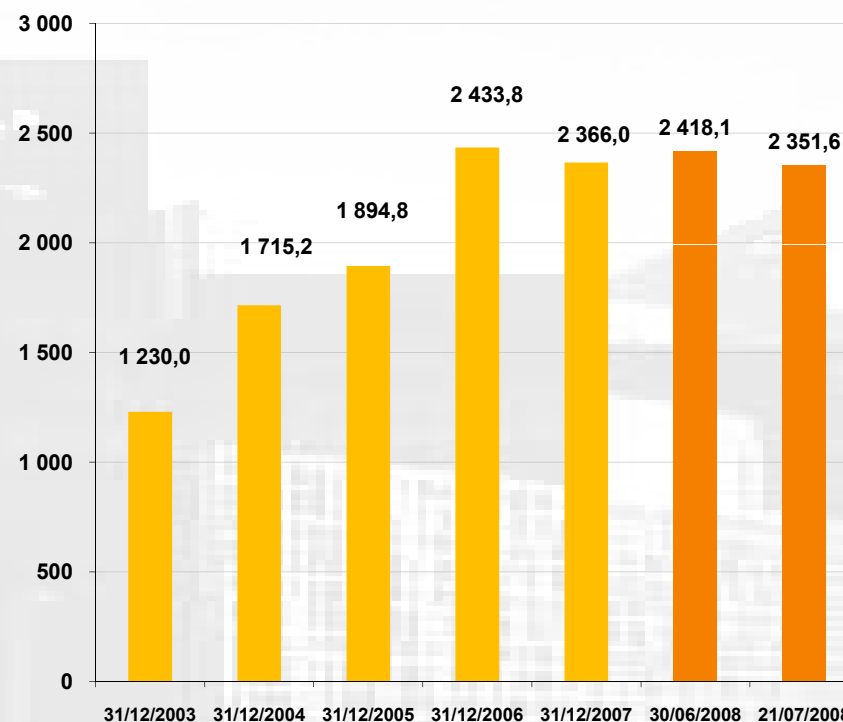
CAGR: Compound annual growth rate

# Ownership Structure

**30 June 2008**  
(46.5 million shares)

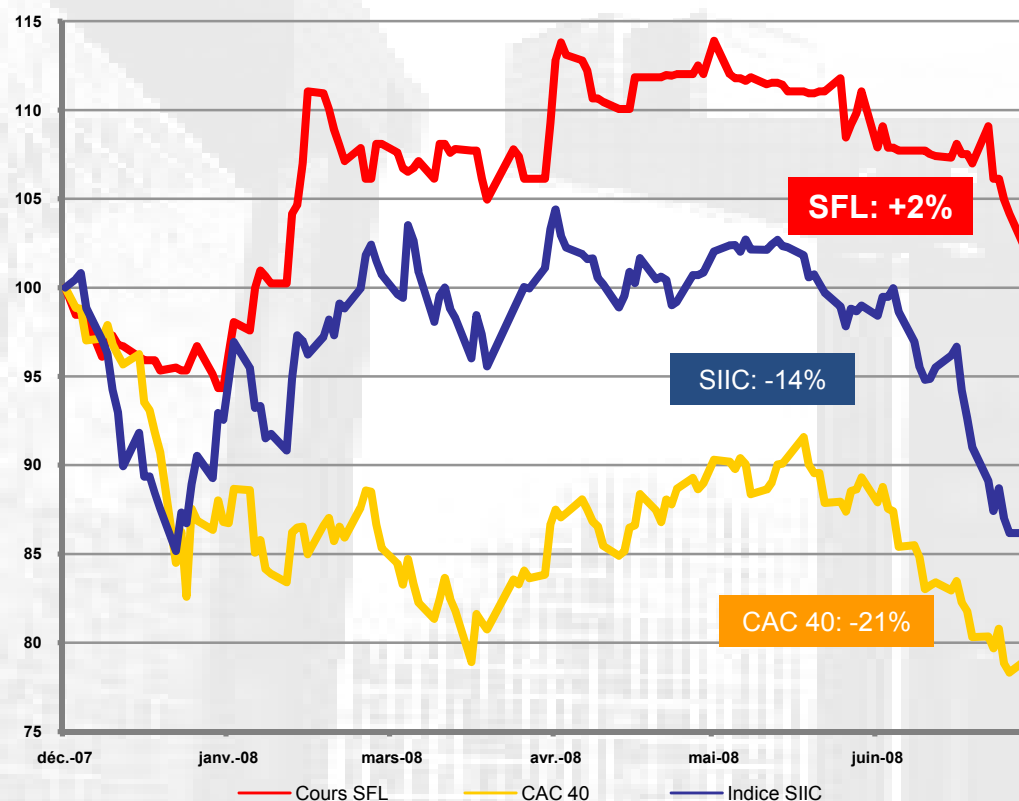


**Growth in market capitalisation**  
(€m)



# Share Performance

## H1 2008 share performance<sup>(1)</sup>



(1) Base 100: 31 December 2006; data up to 30 June 2008

Source: Euronext

## H1 2008 key figures

Shares outstanding at 30 June 2008	46,502,301
Average daily trading volume (shares)	3,179
Average daily trading volume (amount)	€172,000
High for the period (25 April)	€59.49
Low for the period: (21 January)	€47.00
Closing price on 30 June 2008	€52.00

**Closing price at 21 July 2008:**  
**€50.57**

# Loan To Value

(€m)	31 Dec. 2007	30 June 2008	Change
Syndicated loan	574.0	600.0	+26.0
Lease financing	222.2	215.3	-6.9
Other bank loans	262.6	345.9	+83.2
<b>Total debt</b>	<b>1,058.8</b>	<b>1,161.2</b>	<b>+102.3</b>
Average life (years)	4.1	3.6	-0.5
Average spot cost (after hedging)	5.3%	5.4%	0.1pt
Cash and cash equivalents	15.9	25.0	+9.1
Net debt (debt – cash and cash equivalents)	1,042.9	1,136.2	+93.2
Estimated value of assets (incl. transfer costs)	4,132.2	3,924.4	-207.8
<b>Loan-to-value</b>	<b>25.2%</b>	<b>29.0%</b>	<b>+3.8pts</b>



# Property Valuation and NAV Calculation

Independent experts

Jones Lang LaSalle, CBRE, AtisReal

Methodology

Discounted cash-flow or capitalisation of net rental revenues or comparison with recent transactions

Frequency

Entire portfolio valued at least every six months

NAV calculation

With and without transfer costs  
Fully diluted  
Financial instruments marked-to-market

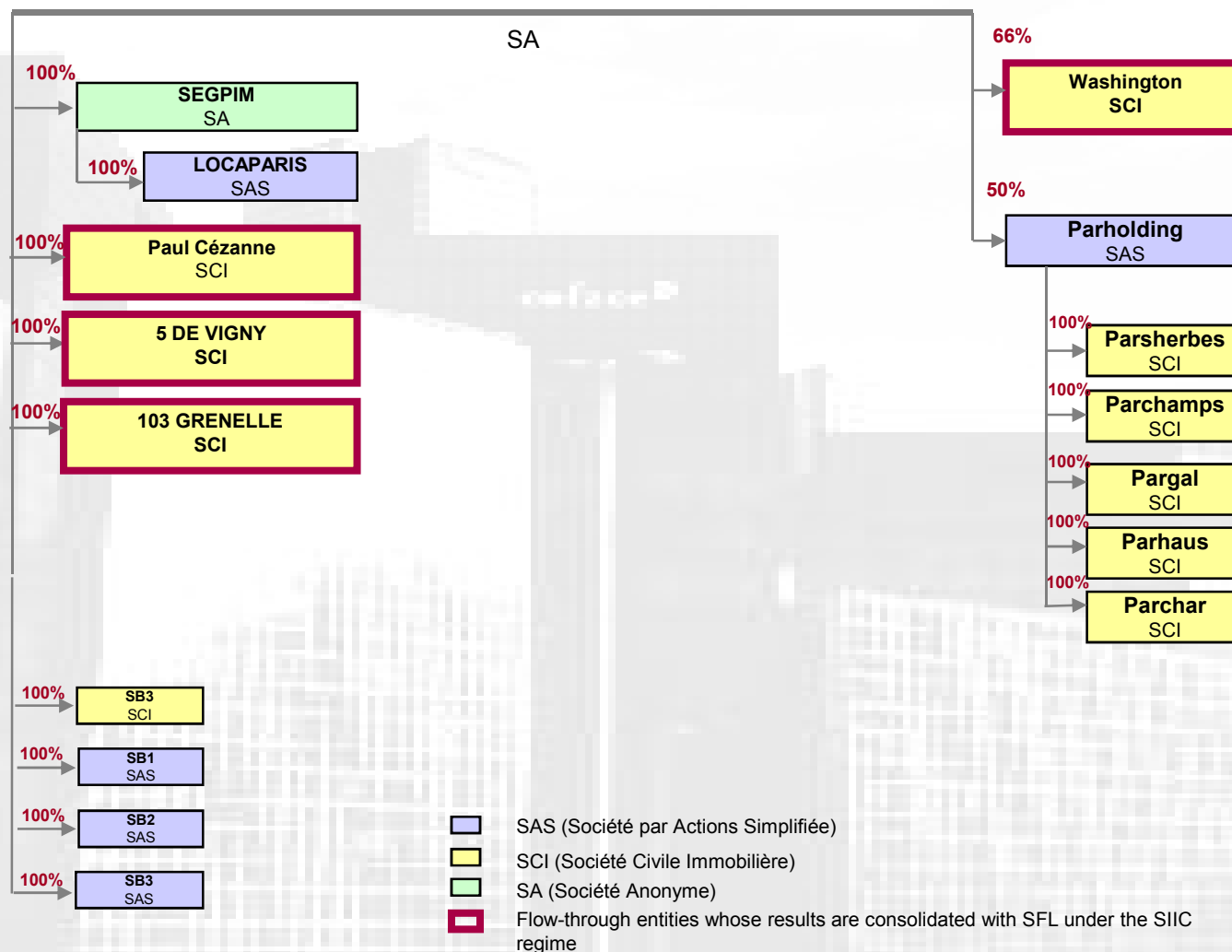
Validation

NAV calculation is reviewed by the auditors

# Legal Structure at 30 June 2008



## SOCIÉTÉ FONCIÈRE LYONNAISE



# Organisation Structure



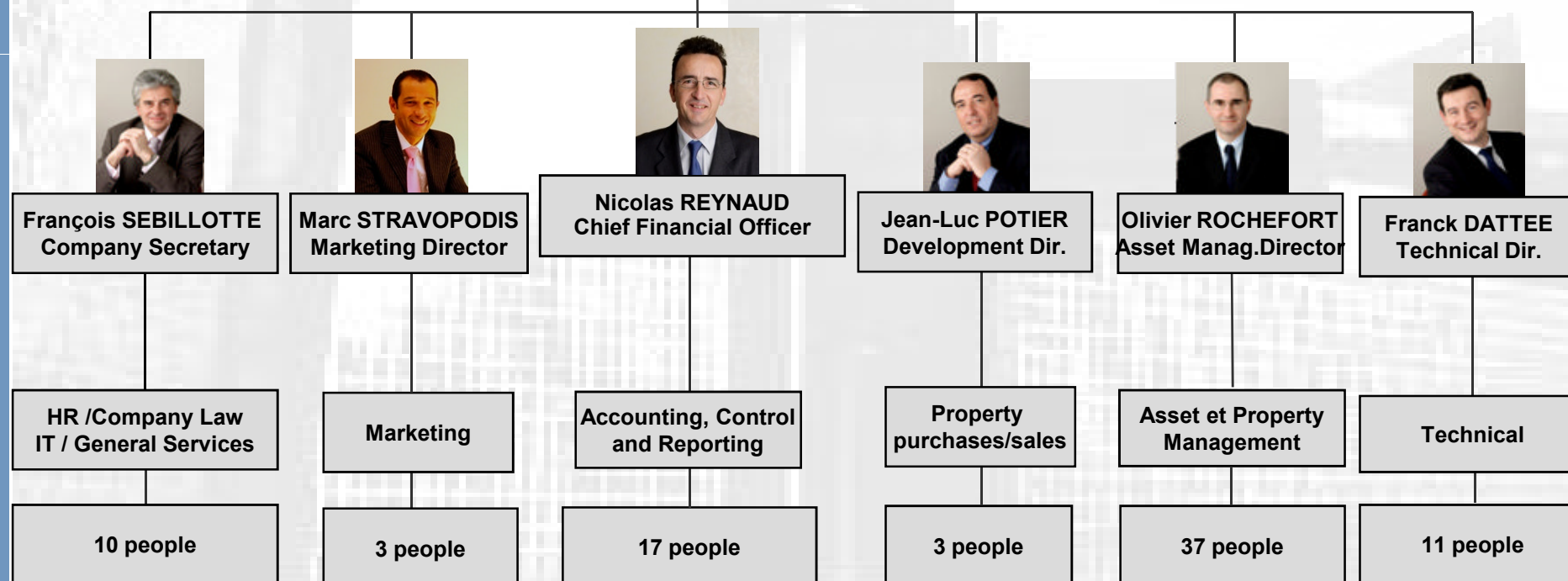
**Yves MANSION**  
Chairman & Chief Executive Officer

<u>Number of employees</u>	
Head Office	91
Building staff and caretakers	4



**Philippe DEPOUX**  
Chief Operating Officer

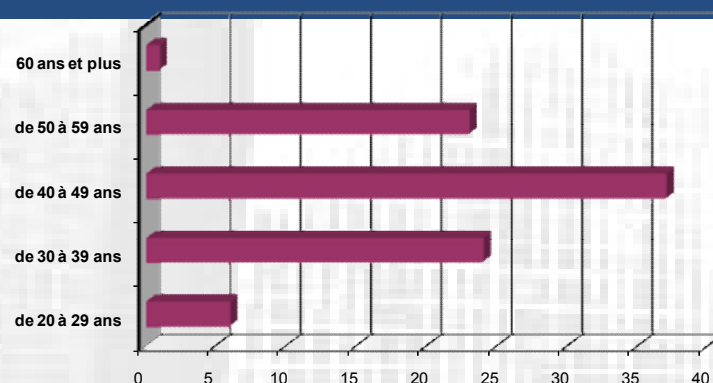
<b>Total</b>	<b>95</b>
--------------	-----------



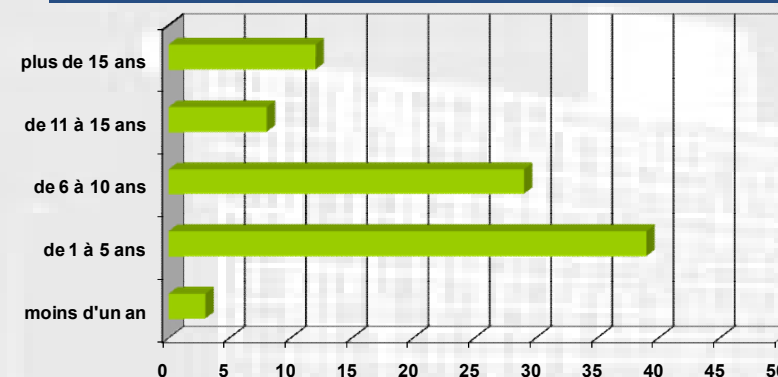
# Human Resources

Number of employees	30/06/2008
<b>Building staff</b>	4
<b>Administrative staff</b>	15
<b>Supervisors</b>	20
<b>Managers</b>	56
<b>Total</b>	<b>95</b>

**Administrative staff  
by age group**  
(at 30 June 2008)



**Administrative staff  
by years of service**  
(at 30 June 2008)



Expenditures (€m)	H1 2008	H1 2007	% change	Full year 2007
Major renovation projects <sup>(1)</sup> (capitalised)	34.0	6.0		32.9
Other capitalized expenditure	9.1	8.1		15.5
<b>Total</b>	<b>43.1</b>	<b>14.1</b>	<b>205.7%</b>	<b>48.4</b>

(1) Of which: 103 Grenelle: €22.0m; 247 St-Honoré: €8.4m; T8 project €1.4m;  
 92 Champs Elysées: €1.4m; Galerie des Champs Elysées: €0.9m