
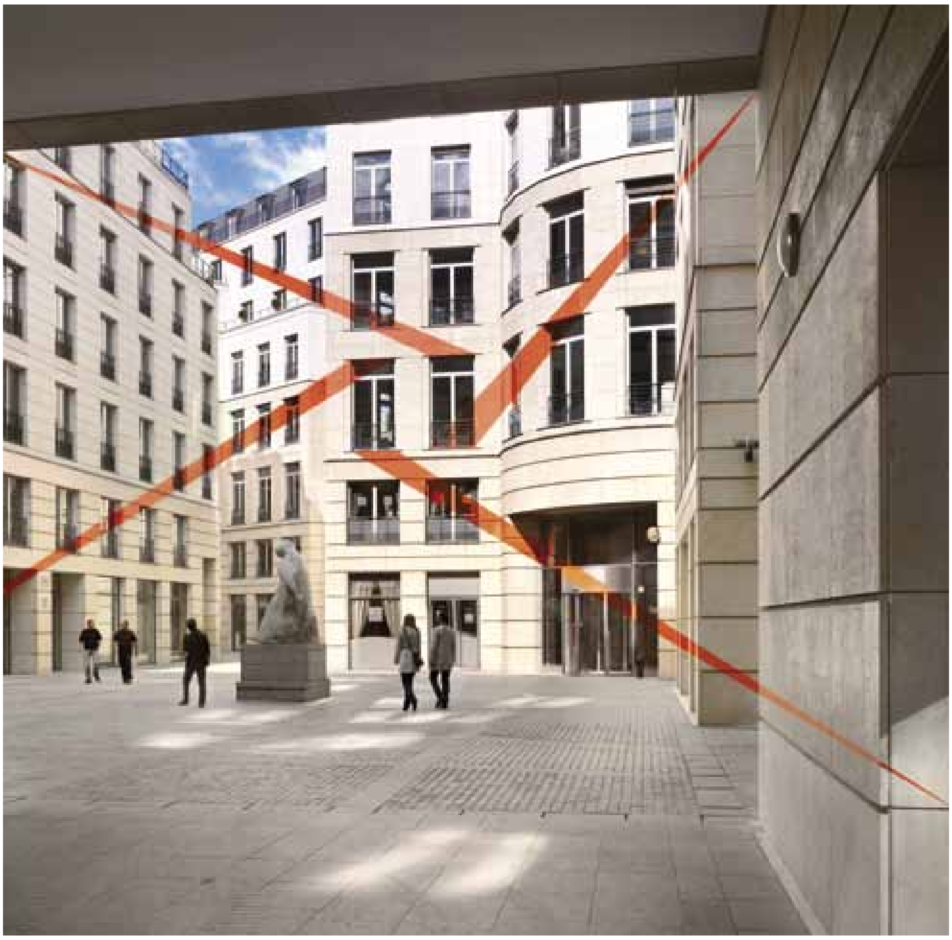

2012 Financial and Legal Report

SOCIETE FONCIERE LYONNAISE
we care for your talents

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AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This registration document was filed with the Autorité des Marchés Financiers (AMF) on 10 April 2013, in accordance with Article 212-13 of the AMF's Règlement Général. It may be used for a financial transaction provided that it is accompanied by an Information Memorandum approved by the AMF.
This document was prepared by the issuer and is the responsibility of the persons who signed it.

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

SFL 2012 Management Report

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Annual General Meeting of 18 April 2013
Management Report for the Year Ended 31 December 2012

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 2012 as well as its future outlook, and to submit for shareholder approval the financial statements of the Company and the Group.
All documents required by law were sent or made available to shareholders within the applicable periods.

1. Business Review and Significant Events of the Year

1.1. Portfolio value

The appraisal value of SFL's consolidated portfolio was an estimated €3,882 billion excluding transfer costs (€4,072 billion including transfer costs) at 31 December 2012, up 20% year-on-year. The properties are situated in Paris and the inner suburbs, with 84% of the portfolio (€3,252 billion excluding transfer costs) located in the Paris Central Business District.

Substantially all of the portfolio consists of prime office properties (74% of the total), retail units and a hotel (25%). 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 stood at €10,233 and the spot yield[1] was 5.3% at 31 December 2012.

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

Marketing programme

Leases were signed on 37,600 sq.m. in 2012, including 24,000 sq.m. of new leases, as follows:
- Offices represented 34,000 sq.m.
- Retail units represented 3,600 sq.m.

The average rent for our office portfolio at 31 December 2012 was €621 per sq.m. per year, and the average remaining life of leases to the next break option was 4.5 years.

The physical occupancy rate (excluding properties undergoing renovation) for the portfolio rose to 95.3% from 94.0% at 31 December 2011, including the Ozone building which had been fully let in advance of its delivery at the end of 2012. The EPRA Vacancy Rate stood at 5.7% at 31 December 2012.

Development operations

SFL pursued its ambitious development programme in 2012, investing some €125 million in remodelling projects. The largest investments concerned the Ozone building at 92 Champs-Élysées, which has been delivered and fully let at record rents; the In/Out project in Boulogne, which will be delivered next summer; and the full-scale refurbishment of large office spaces in the Edouard VII and Louvre buildings. In addition, the building permit was received in July for the 33,000 sq.m. property on rue de Richelieu. Remodelling work has begun and should be completed in mid-2015.

1.2. Property purchases and sales during the year

Despite having the necessary financial resources, SFL did not purchase any new properties during 2012 and remains poised to take up any investment opportunities that may arise in the market.

In November 2012, SFL signed an agreement to sell the 251 rue Saint-Honoré building in the first *arrondissement* of Paris occupied by the Mandarin Oriental hotel and two luxury boutiques. The sale was agreed at a net price of €290 million, which was about 30% more than the total cost of the renovated building and 15% more than its appraisal value at 30 June 2012 (and 19% more than the appraisal value at 31 December 2011). The sale was completed on 8 February 2013 on the agreed terms.

Consisting mainly of two very large projects – the In/Out building (scheduled for delivery in July 2013) and the Richelieu building (to be delivered in mid-2015) – the development pipeline comprised roughly 90,000 sq.m. at 31 December 2012. These projects will become a major source of additional rental revenue beginning in 2014.

2. Results

2.1. Consolidated results

Accounting methods

Effective from 31 December 2006, investment properties have been measured using the fair value model, as provided for in IAS 40. Prior to that date, investment properties were measured using the cost model, in accordance with IAS 16.

This change of method was adopted to facilitate comparisons with other property companies, the majority of which apply the fair value model.

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. It reflects market conditions at the period-end and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the future benefits that will be derived from this future expenditure.

No deduction is made for transaction costs that may be incurred on sale or other disposal.

The fair values of investment properties carried in the balance sheet at 31 December 2012 correspond to the prices including transfer costs obtained from independent valuations performed by the method described in Note 2-3 to the consolidated financial statements, less a 6.20% discount for transfer costs.
Changes in fair value, which are recognised in the profit and loss account under "Gains and losses from remeasurement at fair value of investment properties", are calculated as follows:

Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

- **Applicable standards and interpretations**

As required under European Commission regulation (EC) 1606/2002 dated 19 July 2002, the consolidated financial statements have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.
The following new or amended standards had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2012:

– IFRS 10 – Consolidated Financial Statements,
– IFRS 11 – Joint Arrangements,
– IFRS 12 – Disclosure of Interests in Other Entities,
– IFRS 13 – Fair value measurement,
– Amendment to IFRS 7 – Disclosures: Offsetting of Financial Assets and Financial Liabilities,
– Amendment to IAS 1 – Presentation of financial statements: Presentation of Other Comprehensive Income,
– Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets,
– Amendment to IAS 19 – Employee Benefits,
– Amendment to IAS 28 – Investments in Associates and Joint Ventures,
– Amendment to IAS 32 – Offsetting of Financial Assets and Financial Liabilities.

The accounting treatment of the companies in the Parholding sub-group, which are qualified as being controlled by the Group following the signature of a new shareholders' pact (see Note 4-3 to the consolidated financial statements), will not be affected by the application of IFRS 10 and 11.

Application of IFRS 13 will result in investment properties being classified in Level 3 of the fair value hierarchy (fair value determined based on unobservable inputs). Additional disclosures will be provided when IFRS 13 is applied.

Profit for the period attributable to owners of the parent

In 2012, profit attributable to owners of the parent rose sharply to €283 million, from €181 million the previous year. This increase includes a significant 7.5% rise in property rentals on a comparable portfolio basis and a solid 12% gain in the portfolio's appraisal value.

On a reported basis, property rentals were slightly down, at €150.2 million versus €151.6 million in 2011. This represented a very good performance, as the 2011 figure included rent on the Old England building that was sold in December 2011 and a lease termination penalty received from Allen & Overy, a tenant of the Edouard VII building, for a total of €6.5 million.

On a comparable portfolio basis, property rentals increased by €8.0 million, or 7.5%, reflecting leases signed in 2011 and 2012 and the impact of applying rent indexation clauses.

Revenues from properties undergoing redevelopment declined by €3.7 million overall, primarily due to the second-half 2012 launch of a project to remodel the Richelieu building and the refurbishment of 6,500 square meters of office space in the Edouard VII building.

Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €122.5 million in 2012, versus €125.4 million in 2011.

Unlike in 2011 when the sale of the Old England building in Paris generated a €7.8 million capital gain that was included in the year's profit, no assets were sold in 2012.

The portfolio's appraisal value rose by 12% over the year on a comparable portfolio basis. The increase led to the recognition of positive fair value adjustments to investment properties of €236.3 million in 2012, versus a positive €98.1 million in 2011.

Associates – corresponding to 29.6%-owned SIIC de Paris – contributed €21.0 million to 2012 profit, €13.2 million of which was included in EPRA earnings. The comparable figures for the year-earlier period were €18.7 million and €11.7 million.

Net finance costs rose to €72.2 million from €53.7 million at 31 December 2011. They include €16.0 million in fair value adjustments and gains and losses on derivative instruments recycled to profit, versus €4.8 million at 31 December 2011. Recurring finance costs were €6.9 million higher chiefly due to the increase in debt.

After taking into account these key items, attributable net profit came in at €283.2 million compared with €180.9 million at 31 December 2011. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, EPRA earnings amounted to €69.5 million at 31 December 2012, versus €81.2 million the year before.

NAV and financing

In line with a strategy launched in 2011 aimed at diversifying its financing sources, SFL carried out another €500-million five-year bond issue in November 2012. The issue proceeds were used to repay the amounts drawn down on the Group's revolving lines of credit, which have been retained as back-up facilities, and also to unwind certain hedges that were no longer effective.

Net debt at 31 December 2012 amounted to €1,547 million (nearly two-thirds accounted for by bonds), representing a loan-to-value ratio of 35.5%, including the interest held in SIIC de Paris.

At that date, SFL also had €605 million in back-up lines of credit. The average cost of debt after hedging was 3.6% at end-2012 and the average maturity was 3.9 years.

The estimated market value of the portfolio at 31 December 2012 was €3,882 million excluding transfer costs. The estimated replacement value, including transfer costs, was €4,072 million. For the first time this year, these figures include the buildings owned in partnership with Prédica through their joint subsidiary, Parholding (104 Haussmann, Galerie/90 Champs-Elysées), following changes in the Parholding shareholders' pact which have led to this company being fully consolidated. The value of the portfolio increased by 12% in 2012 on a comparable portfolio basis. Growth was mainly led by properties undergoing development and recently delivered remodelled buildings, such as Ozone, 251 Saint-Honoré, Richelieu and In/Out. The figure also reflects slightly lower market yields for prime assets.

The portfolio comprises 19 properties (18 since the sale of the Mandarin Oriental). Most are prime office buildings located in Paris's Central Business District (94%) and in the most attractive parts of the Western Crescent (6%). Following the sale of the Mandarin Oriental, office space now accounts for 80% of the portfolio.

The average rental yield stood at 5.3% at 31 December 2012, compared with 5.5% the previous year.

EPRA NNNAV came to €2,108 million, or €45.3 per share, compared with €42.8 per share at 31 December 2011, an increase of 5.8%.

2.2. Parent company results

Accounting methods

The 31 December 2012 parent company financial statements have been prepared on a going concern basis in accordance with French generally accepted accounting principles, including the principles of prudence and segregation of accounting periods. Accounting policies have been applied consistently from one year to the next.

Parent company results and financial position

Parent company results for the year ended 31 December 2012 can be analysed as follows:

- Revenue excluding tax stood at €94,646,560.72 compared with €99,194,508.39 in 2011, a decrease of 4.58% that was due to the sale of the 12 Capucines property (negative impact of €2.4 million), and the departure of Allen & Overy from Edouard VII and Crédit Lyonnais from Richelieu, partly offset by the signature of leases on Ozone and a full year's revenue from the Mandarin Oriental building.
- Total operating income came to €116,927,130.24 compared with €127,824,573.52 in 2011, down 8.53% due to the above revenue impact and to €4.5 million worth of provision reversals in 2011, mainly concerning the provision for impairment of the Iéna building.
- Total operating expense contracted by 0.37% to €100,655,111.21 from €101,033,771.21 in 2011.
- Operating profit came to €16,272,019.03 million versus €26,790,802.31 million the previous year.

Wages and salaries totalled €7,111,629.20 up 1.24% from the 2011 figure of €7,024,459,58.

Payroll taxes amounted to €3,201,254.68 in 2012, compared with €3,331,602.88 in 2011.

The average number of employees of the parent company was 66.6, a 2.40% decrease on 2011 when the average was 68.2.

After deducting net financial expense of €56,219,012.88 million in 2012, compared with €14,210,602.25 the year before (difference linked to the impact of unwinding interest rate hedges amongst other factors) the Company ended the year with a loss before tax and other income and expense of €39,946,993.85 versus a profit of €12,580,200.06 in 2011.
Other income and expense represented net income of €288,387,19 (versus €33,760,289.60 in 2011 following the sale of 12 Capucines), employee profit-sharing totalled €88,478.01 and income tax expense came to €2,224,773.02. As a result, the Company ended the year with a net loss of €41,971,857.69 compared with a profit of €42,547,037.96 in 2011.

At 31 December 2012, the Company had total assets of €2,549,442,951.19, up 3.45% from €2,464,478,063.84 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 2012	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Total
Goods and services suppliers	21,141	5,387	361,235	132,863	520,627
Fixed asset suppliers	56,041	566,698	9,616,062	729,338	10,968,140
Retention monies	-	-	-	388,282	388,282
Total	77,183	572,084	9,977,298	1,250,483	11,877,048

At 31 December 2011	More than 60 days old	Less than 60 days old	Less than 30 days old	No fixed due date	Total
Goods and services suppliers	17,217	15,251	716,402	-	748,870
Fixed asset suppliers	648,309	37,815	133,341	366,865	1,186,330
Retention monies	-	-	22,515	332,874	355,389
Total	665,526	53,066	872,258	699,739	2,290,589

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 loss

The Company reported a net loss at 31 December 2012, after tax and provision charges, of €41,971,857.69.

We recommend

1. Appropriating the net loss for the year ended 31 December 2012 to:
   - Retained earnings, which will be reduced from €665,411.60 to zero.
   - The share premium account, which will be reduced by €41,306,446.09 from €1,030,629,063.71 to €989,322,617.62.

2. Distributing a dividend of €1.40 per share, totalling €65,140,563.60, to be deducted from the share premium account, reducing this account from €989,322,617.62 to €924,182,054.02.

If approved, the dividend will be paid as from 25 April 2013. Dividends on SFL shares held by the Company on that date – which are stripped of dividend rights – will be credited to retained earnings.

The dividend will qualify as a return of capital governed by Article 112-1 of the French Tax Code, with the exception of the portion of the dividend paid out of the share premium account, which will be qualified for tax purposes as securities income. Of the total dividend of €1.40 per share, €0.61 will qualify as securities income governed by Article 158-3.1 of the French Tax Code (based on 46,528,974 shares) and €0.79 will be classified as a return of capital governed by Article 112-1.

The component qualified as securities income governed by Article 158-3.1 of the French Tax Code would be paid in full out of profit subject to French corporate income tax.

Effective since 1 January 2013, shareholders no longer have the option of paying a 21% flat-rate withholding tax on dividends paid out of profits on which corporate income tax has been paid. Dividends are therefore taxed at the graduated income tax rate, after applying the 40% tax reduction provided for in Article 158-3.2 of the French Tax Code. In addition, the *prélèvement sociaux* surtaxes are also due at the aggregate rate of 15.5%.

In accordance with Article 119 *bis* of the French Tax Code, dividends paid to non-resident shareholders will be subject to withholding tax at the rate of 21% (residents of a European Union member state, Iceland, Norway or Liechtenstein) or 30% (other countries). However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries who choose to receive their dividend in cash will be required to provide a certificate of residence to benefit from the treaty rate. The withholding tax rate is 75% when dividends are paid outside France in "uncooperative" countries or jurisdictions.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax, SFL must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of the "SIIC" profits will be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime.

Since 17 August 2012, dividends paid out of tax-exempt "SIIC" profits 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.

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 2012 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 2012 were prepared using the fair value model. The scope of consolidation was as follows:

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud (1)	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
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
Associated companies accounted for by the equity method:			
SIIC de Paris	303 323 778	29.63	29.63

(1) Formerly SAS SB1.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.45% of the capital at 31 December 2012.

SC Parchar was merged into SC Parchamps with retroactive effect from 1 January 2012. The merger, which was decided at the Extraordinary General Meeting of 14 December 2012, had no impact on the consolidated financial statements.

SAS Parholding, SC Parchamps, SC Pargal and SC Parhaus were fully consolidated at 31 December 2012 (see Note 4-3 to the consolidated financial statements). These companies were previously consolidated by the proportionate method.

The 2012 merger of SIIC de Paris 8e into its parent company, SIIC de Paris, diluted the Group's interest in SIIC de Paris by 0.36% compared with 2011.

SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2012

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Guarantees provided by SFL	2012 revenue	2012 net profit/ (loss)	Dividends paid to SFL in 2012	Fair value adjust-ments to the invest-ment during the year
				Gross	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	112,648,950	100.00%	291,847,234	291,847,234	-	-	14,828,307	10,075,792	-	-
SCI 103 GRENELLE	150	12,981,355	100.00%	1,169,740	1,169,740	165,558,096	-	5,178,471	10,446,156	-	-
SCI WASHINGTON	94,872,000	12,423,574	66.00%	79,788,878	79,788,878	106,765,826	-	19,976,213	9,137,452	-	-
2 - Associates (10-50%-owned)											
SAS PARHOLDING	15,000,000	2,591,756	50.00%	18,400,300	18,400,300	15,280,346	-	-	(269,375)	748,269	-
SA SIIC DE PARIS	68,955,181	596,951,279	29.63%	235,981,062	235,981,062		-	92,816,238	42,100,802	3,064,689	-
B- Aggregate information about investments not listed in A above											
1 - Subsidiaries (at least 50%-owned)				370,293	370,293	-	-	-	329,268	1,952,457	-
2 - Associates (less than 50%-owned)				2,286,735	-	-	-	-	-	-	-

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

RELATED PARTY TRANSACTIONS IN 2012 (IN € THOUSANDS)

	Between fully consolidated companies and proportionately consolidated companies	Between proportionately consolidated companies
Statement of comprehensive income		
Service revenue	737	-
Interest on loans and receivables	1,280	1,935
Fees	(737)	-
Interest on current accounts	(1,280)	(1,935)

3. Corporate Governance

The Directors' Charter is more than just a description of directors' statutory rights and obligations. It also deals with such issues as directors' transactions in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board meetings and confidentiality.

Each director and non-voting director, elected in his or her own name or as the permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name. Directors are required to write to the Chairman of the Board of Directors providing full details of any and all SFL shares purchased or sold during the period.

In addition, each Director must notify the Chairman of all directorships and corporate functions held in other companies (giving the names of the companies concerned) at the end of each year and whenever any change occurs. Directors must act at all times in the Company's interest, notify the Board of any conflicts of interest, attend General Meetings and treat all information received as strictly confidential.

3.1. Members of the Board of Directors and the Management Committee at 31 December 2012

Members of the Board of Directors at 31 December 2012

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

Members of the Management Committee at 31 December 2012:

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

Bertrand Julien-Laferrière, 54, joined SFL as Chief Executive Officer in 2010. He holds an engineering degree from École Centrale de Paris, a Master of Science from the University of California, Berkeley, and an MBA from INSEAD. Before joining SFL he was Chairman of Unibail- Rodamco Development from November 2007 and Chief Development Officer and a member of the Management Board at Unibail-Rodamco from 2008. Prior to that, he served as Chairman of CGW Gestion d'Actifs and Chief Executive Officer of Bail Investissement Foncière. He also held senior positions at Club Méditerranée, Accor Hotels and Ricardo Bofill Architects.

Nicolas Reynaud,51, is SFL's Managing Director and Chief Financial Officer. He began his career at Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer. He then joined SFL as a member of the Management Committee and Chief Financial Officer, Secretary to the Board and Deputy Managing Director.

François Sebillotte,57, has been Chief Resources Officer since 2001 and Secretary to the Board since 2011. He began his career at law firm KPMG Fidal in 1982, before becoming Director of Legal Affairs for business guide publisher Editions Liaisons, where he worked from 1987 until 1992, and later serving as the head of Legal Affairs and a member of the Management Committee for investment fund Unigrains. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA.

Dimitri Boulte,35, joined SFL in 2011 as Deputy Managing Director and Chief Operating Officer with overall responsibility for operations (investments, asset management, technical matters, business development and marketing). He is a graduate of the HEC Paris business school and holds a CEMS Master of International Management degree from Bocconi University, Milan. He worked at Unibail-Rodamco for nine years in a variety of management positions, serving successively as Office Division Investment Manager (2004-2006) Office Division Development Manager (2006-2007) and Development Director for Large Urban Projects (2008-2011). He also played a role in creating and developing the Real Estate Chair at HEC where he was a lecturer.

Fabienne Boileau,45, has served as Budget Control and Accounting Director since September 2011. A graduate of ESC Reims business school and a qualified accountant, she joined SFL in 2005 after spending three years with KPMG Audit and holding various positions in the Budget Control department at Crédit Agricole SA.

Franck Dattée,45, is SFL's Technical Director. After graduating from France's ESTP engineering school, he joined the Vinci group in 1992 where he held a variety of management positions. In 2002 he moved to Promogim to take up a position as Technical Director. He has been with SFL since 2003.

François Derrian,43, is the Group's Human Resources Director. A graduate of Institut de Gestion Sociale with an "AES" degree (combining law, economics, management and social sciences), he joined SFL in 2002 after holding various human resources positions with Auchan and Pinault Printemps La Redoute (Pinault Distribution, FNAC).

Bénilde Escouboué, 39, is Investment and Asset Management Director. A graduate of ESC Bordeaux business school and with an MBA from INSEAD, he has 12 years' experience in the commercial real estate sector, acquired with Jones Lang LaSalle (1998/2000), The Blackstone Group (2000/2009) and Captiva/ Natixis Capital Partners (2010/2011). He joined SFL in 2011.

Franck Morin,40, is Property Management Director. A graduate of ICH, he began his career with SIMCO in 1996 before moving to Generali Immobilier in 2000. He has been with SFL since 2003.

Marc Stravopodis, 51, is SFL's Marketing Director. Before joining the Group in 2005, he worked for 15 years in various management positions at Jones Lang LaSalle, most notably as head of the Western Ile de France agency and Associate Director Key Clients. He holds a degree in economics.

3.2. Directorships and other positions held by the Chief Executive Officer and the Managing Director at 31 December 2012

Bertrand Julien-Laferrière

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

Directorships and other positions held in 2012:

In France – SFL Group

Chief Executive Officer	. Société foncière lyonnaise (SA)
Chairman*	. Parholding (SAS)

In France – Outside the SFL Group

Director	. SIIC de Paris (SA) (a listed company)
	. Maison des Centraliens (SA)
Legal Manager*	. BJL Investissement (SARL)

Other directorships and positions held in the past five years:

Chief Executive Officer	. Unibail Management (SASU)
Chief Operating Officer	. Unibail Rodamco SE
Chairman	. Unibail-Rodamco Développement (SASU)
	. CGW Gestion d'Actifs (SAS)
Director and Chief Executive Officer	. Bail Investissement Foncière (SA)

Nicolas Reynaud

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

Directorships and other positions held in 2012:

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

* Directorships not taken into account to determine compliance with Articles L.225-21 and L.225-77 of the French Commercial Code on multiple directorships.

Details of the other directorships and positions held by the members of the Board of Directors are presented on page 87.

Re-election of directors

The terms of office of the following directors are due to expire at the close of this meeting: Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Aref Lahham, Pere Viñolas Serra, Anthony Wyand and Reig Capital Group Luxembourg, SARL. Shareholders are invited to re-elect these directors for a further three-year term expiring at the Annual General Meeting to be called in 2016 to approve the 2015 financial statements.

Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Aref Lahham, Pere Viñolas Serra, Anthony Wyand, and Reig Capital Group Luxembourg SARL, confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

The terms as director of Jean Arvis and Jacques Calvet will also expire at the close of the Annual General Meeting and shareholders will be invited to re-elect them for a further one-year term expiring at the close of the Annual General Meeting to be called in 2014 to approve the 2013 financial statements.

Jean Arvis and Jacques Calvet have confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

Re-appointment of the Auditors

The appointment of PricewaterhouseCoopers Audit and Anik Chaumartin as Auditor and substitute Auditor will expire at the close of the Annual General Meeting and shareholders will be invited to re-appoint them for a further six-year period expiring at the close of the Annual General Meeting to be called in 2019 to approve the 2018 financial statements.

3.3. Remuneration

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

The following information on remuneration paid to the Chairman, the Chief Executive Officer and the Managing Director has been prepared in accordance with the AFEP-MEDEF corporate governance code and the AMF recommendations of February 2012. The amounts in the tables below are presented in euros.

These tables concern the year ended 31 December 2012.

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

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

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

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

Juan José Brugera Clavero Chairman	2011	2012
Remuneration due for the year	186,000	186,000
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year (1)	0	51,493
Total	186,000	237,493

(1) The Board decided to allocate 3,750 performance shares to Juan José Brugera Clavero on 16 February 2012. Details of the terms of award and exercise and the fair value of the performance shares are provided from page 21 onwards.

Bertrand Julien-Laferrière Chief Executive Officer	2011	2012
Remuneration due for the year (1)	1,030,315	908,185
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year (2)	0	599,980
Total	1,030,315	1,508,165

(1) 2011 remuneration: remuneration due in 2011 (Table 2) + 2011 bonus paid in 2012.
2012 remuneration: remuneration due in 2012 (Table 2) – 2011 bonus paid in 2012 + 2012 bonus paid in 2013.
(2) The Board decided to award 42,359 performance shares to Bertrand Julien-Laferrière on 16 February 2012, including 20,516 pursuant to commitments made to him at the time of his appointment on 5 October 2010. Details of the terms of award and exercise and the fair value of these performance shares are provided from page 21 onwards.

Nicolas Reynaud Managing Director	2011	2012
Remuneration due for the year (1)	454,264	447,818
Fair value of stock options granted during the year	0	0
Fair value of performance shares awarded during the year (2)	0	59,980
Total	454,264	507,798

(1) 2011 remuneration: remuneration due in 2011 (Table 2) – 2010 bonus paid in 2011 + 2011 bonus paid in 2012.
2012 remuneration: remuneration due in 2012 (Table 2) – 2011 bonus paid in 2012 + 2012 bonus paid in 2013.
(1) The Board decided to award 4,369 performance shares to Nicolas Reynaud on 16 February 2012. Details of the terms of award and exercise and the fair value of these performance shares are provided from page 21 onwards.
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.

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

Juan José Brugera Clavero Chairman	2011		2012	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary[1]	150,000	212,500	150,000	150,000
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	248,500	186,000	186,000

(1) The amount reported under "salary" in the above table for 2011 includes –in addition to the remuneration due for the year – the remuneration due to Juan José Brugera Clavero as Chairman of the Board of Directors for the period from 1 August to 31 December 2010 that was not paid in 2010.
(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-Laferrière Chief Executive Officer	2011		2012	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	400,000	400,000	400,000	400,000
Bonus[1]	0	0	340,600	340,600
Exceptional bonus[2]	270,000	270,000	0	0
Directors' fees	0	0	0	0
Benefits in kind[3]	19,715	19,715	20,058	20,058
Other[4]	0	0	8,642	8,642
Total	689,715	689,715	769,300	769,300

(1) The method for calculating Bertrand Julien-Laferrière's 2011 bonus paid in 2012 was decided by the Remuneration and Selection Committee on 4 March 2011.
Bertrand Julien-Laferrière's 2012 bonus paid in 2013 was calculated according to the method decided by the Board of Directors on 16 February 2012, and amounted to €479,485.
The criteria and methods used for calculating bonuses are described on page 20.
(2) Exceptional bonuses awarded by the Board of Directors on 5 October 2010 and 9 February 2011.
(3) Benefits in kind: company car and private unemployment insurance (Garantie Sociale des Chefs et dirigeants d'entreprise or GSC).
(4) Matching employer payments on voluntary contributions for 2012 to the SFL Group Pension Savings Plan (PERCO) set up pursuant to an internal agreement with employee representatives dated 31 January 2005, and rights under the discretionary profit-sharing plan for 2011 (paid in 2012) set up pursuant to an internal agreement dated 30 June 2011. Profit shares payable in 2013 in respect of 2012 had not been determined at the date this document was published.

Nicolas Reynaud Managing Director	2011		2012	
	Due for the year	Paid during the year	Due for the year	Paid during the year
Salary	241,016	241,016	241,765	241,765
Bonus[1]	208,200	208,200	183,890	183,890
Exceptional bonus[2]	150	150	0	0
Directors' fees	0	0	0	0
Benefits in kind[3]	3,567	3,567	3,567	3,567
Other[4]	25,641	25,641	10,502	10,502
Total	478,574	478,574	439,724	439,724

(1) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 12 February 2010 for the 2010 bonus paid in 2011 and on 4 March 2011 for the 2011 bonus paid in 2012.
His 2012 bonus, calculated according to the method decided by the Board of Directors on 16 February 2012, amounted to €191,984 and was paid in 2013.
The criteria and methods used for calculating bonuses are described on page 20.
(2) Profit-sharing bonus introduced in the amended 2011 Social Security Financing Act and paid to Nicolas Reynaud under his employment contract with the Company.
(3) Company car.
(4) Matching employer payments on voluntary contributions for 2011 and 2012 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 2010 and 2011 (paid in 2011 and 2012 respectively) set up pursuant to internal agreements with employee representatives dated 20 June 2002, 26 June 2008, and 30 June 2011. Profit shares payable in 2013 in respect of 2012 had not been determined at the date this document was published.

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

Name	Amounts paid in 2011	Amounts paid in 2012
Anthony Wyand		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean Arvis		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jean-Jacques Duchamp		
Directors' fees	24,000	24,000
Other remuneration	0	0
Jacques Calvet		
Directors' fees	24,000	24,000
Other remuneration	0	0
Reig Capital Group Luxembourg		
Directors' fees	18,000	18,000
Other remuneration	0	0
Juan José Brugera Clavero		
Directors' fees	36,000	36,000
Other remuneration	0	0
Pere Viñolas Serra		
Directors' fees	36,000	36,000
Other remuneration	0	0
Carlos Fernandez-Lerga Garralda		
Directors' fees	36,000	36,000
Other remuneration	0	0
Carmina Gañet Cirera		
Directors' fees	24,000	24,000
Other remuneration	0	0
Aref Lahham		
Directors' fees	24,000	24,000
Other remuneration	0	0
Anne-Marie de Chalambert		
Directors' fees	18,000	18,000
Other remuneration	0	0
Bertrand Letamendia		
Directors' fees	18,000	18,000
Other remuneration	0	0
Carlos Losada Marrodán		
Directors' fees	18,000	18,000
Other remuneration	0	0
Luis Maluquer Trepat		
Directors' fees	18,000	18,000
Other remuneration	0	0
Total	342,000	342,000

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

Name	Plan no. and date	Type of stock options (purchase or subscription)	Fair value of stock options as calculated in the consolidated accounts	Number of stock options granted during the year	Exercise price (in €)	Exercise period
Juan José Brugera Clavero	No stock options were granted during the year					
Bertrand Julien-Laferrière	No stock options were granted during the year					
Nicolas Reynaud [1]	No stock options were granted during the year					

(1) Nicolas Reynaud, the only currently serving corporate officer to have received options under the 13 March 2007 plan, was granted an additional 518 options by the Board of Directors on 15 November 2012, representing the adjustment required under Article L.228-99 of the French Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 15 November 2012. The calculation basis and resulting adjustments to the number of options and the exercise price following the above distribution of share premiums are presented on page 18.

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

Name	Plan no. and date	Number of options exercised during the year	Exercise 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		

TABLE 6 – PERFORMANCE SHARES AWARDED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR AND OTHER DIRECTORS

Name	Plan no. and date	Number of performance shares granted during the year [1]	Fair value of shares 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 16 February 2012	3,750	51,493	15 February 2015	15 February 2017	
Bertrand Julien-Laferrière	Plan 1 16 February 2012	21,843	299,939	15 February 2015	15 February 2017	
	Plan 2 16 February 2012	20,516	300,041	15 February 2014	15 February 2016	
Nicolas Reynaud	Plan 1 16 February 2012	4,369	59,980	15 February 2015	15 February 2017	
Directors	No performance shares were awarded during the year					

(1) 50,478 shares granted to corporate officers under two performance share plans approved by the Board of Directors on 16 February 2012 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, 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 22.
(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 (€29.08 for Plan 1 performance shares and €30.97 Plan 2 shares).
(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 (Plan 1) or two years (Plan 2) after the award date (i.e. 15 February 2015 for Plan 1 and 15 February 2014 for Plan 2).
(4) Performance shares may not be sold or otherwise transferred for two years after the vesting date, with certain exceptions such as in the cases of disability or death. In accordance with the recommendations contained in the AFEP-MEDEF corporate governance code, after the end of the statutory 2-year lock-up period, corporate officers 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 NAV per share over the vesting period. The performance criteria are presented on page 22.

TABLEAU 7 – PERFORMANCE SHARES THAT BECAME AVAILABLE DURING THE YEAR

Name	Plan no. and date	Number of performance shares that became available during the year	Vesting conditions
Juan José Brugera Clavero	No performance shares became available during the year		
Bertrand Julien-Laferrière	No performance shares became available during the year		
Nicolas Reynaud	No performance shares became available during the year		
Directors	No performance shares became available during the year		

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS (SITUATION AT THE GRANT DATE)

Date of shareholder authorisation	21 April 2005
Grant date	13 March 2007
Total number of shares under option	273,000
Number of options exercisable by the Chairman, the Chief Executive Officer and the Managing Director:	
• at the grant date	79,000
• at 31 December 2012	25,000
• Nicolas Reynaud	25,000
Starting date of exercise period	13 March 2007
Expiry date	12 March 2015
Adjusted exercise price (in €) (1)	60.11
Exercise periods (plans comprising several tranches)	-
Options granted as a result of the adjustment made during the year (1)	4,670
Options granted as a result of the adjustment made during the previous year	4,748
Number of options exercised at 31 December 2012	0
Cumulative number of options cancelled or forfeited	48,083
Adjusted number of options outstanding at 31 December 2012 (1)	234,335

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

The stock option exercise price was adjusted pro rata to the reduction in the value of the Company's shares, such that:

$$\text{New exercise price} = \text{Exercise price before dividend} \times \left(1 - \frac{\text{Value of the dividend}}{\text{Value of shares before dividend}}\right)$$

The value of the shares before the cash dividend is considered as corresponding to the weighted average share price over the three trading sessions preceding the dividend payment date.

In this case, based on the weighted average price for the three trading sessions preceding the dividend payment date (22 November 2012), the value of the shares before the dividend was €35.11, the dividend amounted to €0.70 per share and the new exercise price was €60.11 for the 13 March 2007 plan.

The number of shares under option was adjusted in such a way that the aggregate exercise price is unchanged, as follows:

$$\text{Adjustment ratio: } \frac{\text{Exercise price before dividend}}{\text{Exercise price after dividend}}$$

For each grantee, the new number of options is equal to the number of options before the dividend multiplied by the adjustment ratio, rounded up to the next whole number of shares, with each option continuing to be exercisable for one share.

The same process was applied to the stock option plan currently in progress.

The adjustment ratio for the plan decided by the Board of Directors on 15 November 2012 is 1.02029612377308.

TABLE 9 – STOCK OPTIONS GRANTED TO AND EXERCISED BY THE TEN EMPLOYEES OTHER THAN CORPORATE OFFICERS WHO RECEIVED THE GREATEST NUMBER OF OPTIONS IN 2012

	Number of options granted/exercised	Weighted average price in €	Plan
Stock options granted in 2012 to the ten employees other than corporate officers who received the greatest number of options (1)	None	-	-
Stock options exercised in 2012 by the ten employees other than corporate officers who exercised the greatest number of options	None	-	-

(1) The 1,622 options granted in 2012 to the ten employees other than corporate officers who received the greatest number of options resulted from the adjustment required under Article L.228-99 of the Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 15 November 2012.
The calculation basis and resulting adjustments to the number of options and the exercise price following the above distribution of share premiums are presented on page 18.

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

Name	Employment contract		Supplementary pension benefits		Termination benefits		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José Brugera Clavero Chairman		X		X		X		X
Bertrand Julien-Laferrière Chief Executive Officer		X		X	X (1)			X
Nicolas Reynaud Managing Director	X (2)			X		X (3)		X

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

Performance criteria used to determine the 2011 and 2012 bonuses of the Chairman, the Chief Executive Officer and the Managing Director

At its 4 March 2011 meeting, the Remuneration and Selection Committee approved the performance criteria to be used to determine the 2011 bonuses of the Chief Executive Officer and the Managing Director.

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

For 2011, the first 50% of the bonus was based on an attributable current cash flow target of €70.2 million and was calculated as shown below:

Actual performance as a% of the target	2011 quantitative bonus calculated as a % of salary (1)	
	Chief Executive Officer	Managing Director
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.
- 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 16 February 2012 meeting, the Remuneration and Selection Committee approved the terms and conditions for setting the 2012 remuneration of the Chief Executive Officer and the Managing Director.

The same breakdown applies as in 2011, as follows:
- 50% of the bonus is based on an annual financial target for the Group as whole (quantitative bonus), and
- 50% is based on personal performance targets (qualitative bonus).

The selected quantitative criterion is EPRA earnings, with the target for 2012 set at €65.7 million.

The bonus rates are the same as for 2011, with one exception: if the target is met (100%), the Managing Director's bonus will be equal to 70% of his salary, to take into account the performance shares awarded to him in 2012, as explained below.

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

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

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

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

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

Agreement with Bertrand Julien-Laferrière, Chief Executive Officer

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

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

The agreement provides for the payment of compensation for loss of office to Mr. Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment. Said compensation would represent the equivalent of six months' remuneration.

If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board. As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal. No other components of his remuneration package would be taken into account in the calculation.

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

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

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

16 February 2012 performance share plan

On 16 February 2012, based on the recommendation of the Remuneration Committee, the Board of Directors decided to set up two performance share plans in line with the authorisation given by the General Meeting of 9 May 2011. A total of 50,478 performance shares were awarded to the Chairman, the Chief Executive Officer and the Managing Director under these plans, as follows:

Under Plan 1, 29,962 performance shares were awarded to these three individuals, 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, 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.

Plan 2 was set up solely in favour of Bertrand Julien-Laferrière who was awarded 20,516 performance shares on 16 February 2012 pursuant to the commitments made to him at the time of his appointment.

The main features of the two plans and other related information are presented on the Company's website. They are summarised below.

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:
(i) for the third financial year as from the award date (i.e. for this initial award, the year ended 31 December 2014) in the case of Plan 1; and
(ii) for the second financial year as from the award date (i.e. for this initial award, the year ended 31 December 2013) in the case of Plan 2.

▪ **Continuing presence within the Group**

The performance shares will vest only if, at the end of a three-year period (Plan 1) or two-year period (Plan 2), 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 corporate officers, 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 NAV per share over the vesting period for each of the plans.

▪ **Lock-up periods**

In accordance with the recommendations contained in the AFEP-MEDEF corporate governance code, after the end of the statutory two-year lock-up period, corporate officers 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 corporate officers have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

5 March 2013 performance share plan

On 5 March 2013, based on the recommendation of the Remuneration Committee, the Board of Directors decided to set up two performance share plans in line with the authorisation given by the General Meeting of 9 May 2011.

Under Plan 1, 29,961 performance shares were awarded to these three individuals, including 21,843 to the Chief Executive Officer, Bertrand Julien-Laferrière, 4,368 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 initial award, the year ended 31 December 2015).

▪ **Continuing presence within the Group**

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

▪ **Performance targets**

In accordance with the AFEP-MEDEF corporate governance code, for performance shares granted to corporate officers, 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 NAV per share over the vesting period for each of the plans.

▪ **Lock-up periods**

In accordance with the recommendations contained in the AFEP-MEDEF corporate governance code, after the end of the statutory two-year lock-up period, corporate officers 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 corporate officers have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

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

The following table presents the total gross remuneration for 2012 paid by Société Foncière Lyonnaise to the persons who were members of the Management Committee at 31 December 2012 other than the Chief Executive Officer and the Managing Director:

	2012
2012 salaries	925,684
2012 bonuses (1)	412,006
Benefits in kind	30,559
Exceptional bonus	0
Discretionary/non-discretionary profit-sharing (2)	31,542
Matching payments to the Group Pension Savings Plan (PERCO)	10,440

(1) Determined according to the method decided by the Board of Directors at its meeting of 16 February 2012.
(2) Discretionary and non-discretionary profit shares paid in 2012 pursuant to the internal agreements of 20 June 2002 and 30 June 2011. Profit shares payable in 2013 in respect of 2012 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 2012

On 22 January 2013, SFL signed a six-year lease with Ariba, the world's leading business commerce network, for over 1,600 sq.m. of office space in the Louvre des Entreprises.
The offices will be completely renovated following the departure of Banque de France, ahead of the arrival of more than 140 Ariba employees on 1 August 2013.

After spending five years as an analyst in SFL's Investment and Asset Management Department, Alexia Karsenty Abtan has been appointed to lead the new Marketing Department, reporting directly to Dimitri Boulte, Chief Operating Officer.
Reflecting SFL's strategic focus on the Paris prime office property market, the new department will support operations teams in designing and enhancing the Group's assets and in helping customers to fully appreciate the contribution of superior office properties to improving the well-being and hence the productivity of their staff.

Alexia Karsenty Abtan, 28, holds a Master of Property Management from Université Paris Dauphine. She began her career as a Junior Asset Manager with Amundi Real Estate before joining SFL in 2007.

On 8 February 2013, Société Foncière Lyonnaise sold the building at 251 rue Saint-Honoré in the first *arrondissement* of Paris, which is occupied by the Mandarin Oriental Paris hotel and two luxury boutiques, to the Mandarin Oriental Hotel Group. The sale was completed on the terms announced in the Company's press release of 29 November 2012. The net sale price of €290 million is 30% more than the total cost of the renovated building.

4.2. Outlook

Forecast developments and outlook

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

4.3. Risk factors

At a time of deep financial market restructuring, SFL is prudently managing its various financial risks.

1- LIQUIDITY RISK

Liquidity risk is covered by confirmed undrawn lines of credit. On 28 November 2012, SFL issued €500 million worth of five-year 3.50% bonds due on 28 November 2017, using the proceeds to meet the Group's short-term refinancing needs as well as to support its development. Thanks to the bond issue, SFL had continued access to €605 million in undrawn confirmed lines of credit at 31 December 2012. As a result, the Group is more than able to meet its refinancing needs through to the end of 2014 and once more enjoys an average debt maturity profile of around four years. At 31 December 2012, the average refinancing spread, excluding the bond issues, stood at 127 basis points. With a healthy loan-to-value ratio and high-quality property assets, SFL is in a position to raise additional resources if the need arises.

2- COUNTERPARTY RISK

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

See also:
- Note 6-8 to the consolidated financial statements (Trade and other receivables), page 158.
- Note 6-12 to the consolidated financial statements (Short and long-term interest-bearing debt), pages 160 to 162.
- Note 2-3 to the consolidated financial statements (Investment property), pages 146 to 147.
- Section 4.4 of the Management Report (Insurance), pages 31 to 32.

3- CURRENCY RISK

SFL had no exposure to currency risks at 31 December 2012.

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 and intrinsic interest rate levels all influence the choice of hedging instruments.

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

At 31 December 2012, 96% of debt was hedged against interest rate risks.

b/ Risk assessment

The average spot cost of debt after hedging stood at 3.60% at 31 December 2012, versus 4.18% at 31 December 2011.

A 50-basis point rise in interest rates across the yield curve would have had the effect of increasing the average cost of debt to 3.63%, and driving up finance costs by €500 thousand or 0.7%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 3.57%, and reduced finance costs by €443 thousand or 0.6%.

As for the sensitivity of the Group's hedging instruments at 31 December 2012, a 50-basis point increase in interest rates would improve their fair value by €8,605 thousand (€15,514 thousand at 31 December 2011), while a 50-basis point drop in rates would have a negative impact of €8,833 thousand (€16,554 thousand at 31 December 2011).

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

Interest rate hedges	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 Hypo swap at 0.8825%	-	-	-	-	185,220	-	185,220
RBS swap at 3.89%	40,800	-	-	-	-	-	40,800
HSBC swap at 2.172%	-	-	-	50,000	-	-	50,000
HSBC swap at 2.3050%	-	-	-	100,000	-	-	100,000
CM-CIC swap at 1.8460%	-	-	-	-	100,000	-	100,000
Total	40,800	-	-	150,000	285,220	-	476,020

Floating rate debt	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
Syndicated loans	-	-	45,000	-	-	-	45,000
BECM revolving facility	-	150,000	-	-	-	-	150,000
RBS loan	40,800	-	-	-	-	-	40,800
Natixis-Deka-Deutsche Hypo loan	1,286	2,058	2,315	3,087	196,797	-	205,543
Lease liabilities	56,458	2,790	2,790	27,271	-	-	89,309
Current account advances	-	68,888	-	-	-	-	68,888
CADIF loan	15,000	-	-	-	-	-	15,000
Total	113,544	223,736	50,105	30,358	196,797	-	614,540

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 2012 and 31 December 2016.

	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016
Syndicated loans	45,000	45,000	45,000	-	-
BECM revolving facility	150,000	150,000	-	-	-
RBS loan	40,800	-	-	-	-
Natixis-Deka-Deutsche Hypo loan	205,543	204,257	202,199	199,884	196,797
Lease liabilities	89,309	32,851	30,061	27,271	-
Current account advances	68,888	68,888	-	-	-
CADIF loan	15,000	-	-	-	-
Total floating rate debt	614,540	500,996	277,260	227,155	196,797
Natixis-Deka-Deutsche Hypo swap at 0.8825%	185,220	185,220	185,220	185,220	185,220
RBS swap at 3.89%	40,800	-	-	-	-
HSBC swap at 2.172%	50,000	50,000	50,000	50,000	-
HSBC swap at 2.3050%	100,000	100,000	100,000	100,000	-
CM-CIC swap at 1.8460%	100,000	100,000	100,000	100,000	100,000
Total interest rate hedges	**476,020**	**435,220**	**435,220**	**435,220**	**285,220**
Net unhedged position	138,520	65,776	(157,960)	(208,065)	(88,423)

At 31 December 2012, 96% of debt was hedged against interest rate risks.

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

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

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

Rental indices trended upwards in 2012, automatically leading to an increase in our rental revenues.

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

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

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

To measure and take into account the risk of a market downturn, tests have been performed to determine the sensitivity of portfolio values to a 25-bps decrease or increase in perpetuity growth rates. These tests show that the impact would be limited, ranging from a positive 3.5% to a negative 3.2%.

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

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

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

The competitive landscape of the French property investment market shifted in 2008 and 2009, with the growing difficulty and cost of obtaining finance, which provides the leverage to increase profitability and reduce risk premiums.
As a result, our main competitors are:

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

7- RISKS ASSOCIATED WITH TENANTS

The Company derives most of its revenue from renting its property assets to tenants. Therefore, any delay or default in rental payments would have an unfavourable impact on operating profit. At 31 December 2012, our top ten tenants accounted for around 42% of total rental revenue and the top two for roughly 15%. Around 28% of tenants operate in the banking and insurance sectors.

All rents are subject to escalation clauses, with 70% adjusted based on the INSEE construction cost index, 7% on the ILAT office rent index, 11% on the ILC commercial property rent index and 12% on the IRL residential property rent index.

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

8- RISKS ASSOCIATED WITH THE AVAILABILITY AND COST OF FINANCING

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

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

Funds can be raised by selling assets, but this source of financing is subject to market risk. Fewer asset sales or troubled markets could lead to financial losses, while the premature sale of assets could lead to strategic costs and opportunity costs. In addition, our ability to sell assets may be curtailed if the property market is not sufficiently liquid.

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

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

9- RISKS ASSOCIATED WITH THE LOSS OF KEY PERSONNEL

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

10- RISKS ASSOCIATED WITH SUBCONTRACTORS AND OTHER SERVICE PROVIDERS

We use contractors and other service providers for major redevelopment projects and for the day-to-day maintenance of our properties. There are a limited number of construction firms capable of carrying out very large scale property renovation projects or redevelopment 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 remodelling 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. Contractor and/or supplier bankruptcy could also prevent compliance with performance bonds.

11- RISKS ASSOCIATED WITH THE REGULATORY ENVIRONMENT

As the owner of office buildings and properties designed for commercial use, in addition to the tax rules associated with the SIIC tax regime, we are required to comply with a number of other regulations including construction codes, health, safety and environmental regulations, commercial lease regulations and permit requirements. 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, 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 impose the reduction or elimination of material containing asbestos when a property is damaged, demolished, renovated, rebuilt or extended, and also apply to the exposure of 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 an adverse effect 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. Legal expenses may also be incurred to mount a defence against environmental claims or to implement measures to remedy newly identified environmental risks.

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

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

12- RISKS ASSOCIATED WITH GOVERNMENT-RELATED PROCEDURES

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

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

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

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

13- RISKS OF NEIGHBOURHOOD COMPLAINTS

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

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

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

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

14- RISKS ASSOCIATED WITH THE MAJORITY SHAREHOLDER

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

See paragraph 5.5.4 – Shareholders' pact, on page 39.

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

15- RISKS ASSOCIATED WITH THE SIIC TAX REGIME

15.1 Conditions of eligibility for the SIIC tax regime

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

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

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

15.1.1 Conditions for eligibility

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

15.1.2 Distribution obligations

The SIIC must distribute to shareholders:

- 85% of profits derived from the rental of property (including properties acquired under finance leases or leased temporarily from the State, a national or regional government agency or a publicly controlled entity) either directly or through companies governed by Article 8 of the French Tax Code, within one financial year.
- 50% 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.

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

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

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

- The Company and its subsidiaries would not benefit from the SIIC regime for the year during which the conditions were no longer fulfilled or for subsequent years. As a result, all of the profits generated during those years would be subject to corporate income tax.
- If the Company were to exit the SIIC regime within the first 10 years, any capital gains taxed at the reduced rate of 16.5% (or 19% as of 1 January 2009) on election for SIIC status (or when new assets became eligible for the SIIC regime) would be taxed at the full corporate income tax rate at the exit date, less the 16.5% or 19% tax paid when the election for SIIC status was made (or the assets became eligible for the SIIC regime).
- All capital gains realised after the Company exited the SIIC regime would be calculated by reference to the market value used to calculate the 16.5% exit tax paid when the Company elected for taxation as an SIIC (or the 19% tax for new assets that became eligible for the SIIC regime after 1 January 2009).

- All tax-exempt profits generated while the Company was an SIIC and not paid out in the form of dividends would have to be added back to the taxable profit of the Company and its subsidiaries when they exited the SIIC regime. All dividends subsequently paid out of after-tax profit would be eligible for the affiliation privilege, as would dividends paid out of profits taxed at the standard corporate income tax rate while the Company was an SIIC.
- The Company would be subject to an additional 25% tax on the portion of unrealised capital gains generated during the tax-exempt period. Specifically, this rate would apply to the amount of unrealised capital gains generated on tax-exempt property since the Company's election for SIIC status, reduced by one tenth for every calendar year in which the Company was taxed as an SIIC.
- Lastly if a commitment had been given to retain for five years properties or shares in property companies acquired from an entity subject to corporate income tax (in accordance with Article 210E of the French Tax Code), the Company would liable for a penalty equal to 25% of the purchase price of the properties or shares.

15.2.2 Non-compliance with the 60% ownership ceiling

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

The suspension would be temporary, provided that the situation was remedied before the end of the financial year in which the breach occurred. The Company and its subsidiaries could therefore recover tax-exempt status the following year. However, if the 60% limit were still exceeded at the end of that year, the SIIC status of the Company and its subsidiaries would be definitively revoked.

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

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

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

15.2.3 Non-compliance with distribution obligations

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

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

15.3 20% withholding tax

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

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

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

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

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

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

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

15.5 Future changes to the SIIC regime

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

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

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

4.4. Insurance

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

A – PROPERTY INSURANCE

1. COMPREHENSIVE PROPERTY INSURANCE WITH NAMED EXCLUSIONS

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

- SCI 103 Grenelle,
- SCI Washington,
- SCI Paul Cézanne,
- Parholding and its subsidiaries.

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

Insured entities:

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

- fully owned, or
- co-owned.

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

The maximum insured value is €300 million.

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

- Washington Plaza,
- Cézanne Saint-Honoré,
- Square Édouard VII,
- 81/83 rue de Richelieu/rue de Gramont/rue Ménard/rue Grétry,
- 68/74 quai de la Rapée,
- 151 rue St-Honoré/2 Place du Palais Royal,
- 82-90 avenue des Champs-Élysées,
- 104/110 boulevard Haussmann.

These periods have been set in such a way as to cover the estimated time required to rebuild and repair the properties after a major incident, taking into account their location, the complexity of the work that would be involved, the size of the site, and unavoidable administrative time.

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

2. BUILDING OWNER'S LIABILITY

The policy covers our liability for bodily injury and material and non-material losses, whether consequential or inconsequential, caused by:

- Our properties or any of the equipment installed in those properties.
- Errors or negligence committed by the personnel in charge of the surveillance or maintenance of those properties.

The policy covers a maximum of €20 million per underwriting year, including:

- Material and non-material consequential losses for up to €15 million.
- Non-material inconsequential losses for up to €3.5 million.
- Consequential bodily injury, material and non-material losses caused by legionella for up to €6 million per claim and per underwriting year.
- Death and personal injury claims due to gross negligence, including the extension of damages resulting from the Constitutional Council's decision of 18 June 2010, for up to €150,000 per victim and €750,000 per insurance year.
- Consequential bodily injury, material and non-material losses caused by accidental pollution for up to €1 million per claim and per underwriting year.

B – CORPORATE INSURANCE

1. ALL-RISKS OFFICE AND IT

The all-risks office and IT policy covers the furniture and equipment used at the Group's 40 rue Washington headquarters, as well as related losses and expenses.

In parallel, the Group has set up a policy covering all the costs that would be incurred to restore lost data as well as any supplementary IT costs that would be incurred as a result of malicious damage – including computer viruses –, or a loss of data due to error, an accident or a natural catastrophe.

2. GENERAL LIABILITY

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

Insured entities:

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

The policy covers:

Third-party liability during operations and works, capped at €15 million (combined single limit) and including €1.5 million in coverage for accidental environmental damage and gross negligence coverage of €1.5 million per claim and €2.5 million per year, including the extension of damages resulting from the Constitutional Council's decision of 18 June 2010.

The purpose of this policy is to provide a second layer of cover, in addition to that provided by the building owner's liability policy.

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.

3. DIRECTORS' AND OFFICERS' LIABILITY

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

CONSTRUCTION INSURANCE

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

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

CLAIMS AND LITIGATION

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

5. SFL and its Shareholders

5.1. Information about the Company's capital

CHANGES IN CAPITAL

Date	Description	Issues			New capital	
		Number of shares	Par value	Gross premium	Total number of shares	New capital
30 March 2007	Issuance of shares for cash	3,425,349	€6,850,698	€191,819,544	46,501,301	€93,002,602
2007	Exercise of stock options	1,000	€2,000	€25,590	46,502,301	€93,004,602
2008		-	-	-	46,502,301	€93,004,602
2009	Exercise of stock options	3,375	€6,750	€86,366,25	46,505,676	€93,011,352
2010	Exercise of stock options	23,298	€46,596	€596,195,82	46,528,974	€93,057,948
2011		-	-	-	46,528,974	€93,057,948
2012		-	-	-	46,528,974	€93,057,948

5.2. Ownership Structure

Directors at 31 December 2012	Number of SFL shares held by Directors [1] at 31 December 2012
Juan José Brugera Clavero	25
Jean Arvis	500
Jacques Calvet	825
Anne-Marie de Chalambert	25
Jean-Jacques Duchamp	25
Carlos Fernandez-Lerga Garralda	50
Carmina Gañet Cirera	30
Aref Lahham	25
Bertrand Letamendia	1,000
Carlos Losada Marrodán	25
Luis Maluquer Trepat	400
Pere Viñolas Serra	1,825
Anthony Wyand	100
Reig Capital Group Luxembourg (represented by Alejandro Hernández-Puértolas)	2,038,956
Total	**2,043,811**

(1) The Directors' Charter stipulates that each Director must disclose to SFL the shares held directly and indirectly (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.

OWNERSHIP STRUCTURE AND VOTING RIGHTS AT 31 DECEMBER 2012

Major shareholders		Total shares	Total voting rights	Group total	% interest	% voting rights [1]
Inmobiliaria Colonial SA [a]		24,870,165	24,870,165	**24,870,165**	53.45%	53.96%
CA-CIB [b]	Crédit Agricole SA Group	3,978,554	3,978,554		8.55% [2]	8.63% [3]
Prédica [c]	Crédit Agricole SA Group	2,368,484	2,368,484	**6,348,038**	5.09% [2]	5.14% [3]
Crédit Agricole Chevreux [d]	Crédit Agricole SA Group	1,000	1,000		n.m. [2]	n.m. [3]
Royal Bank of Scotland [e]		3,447,586	3,447,586	**3,447,586**	7.41%	7.48%
Orion III European 3 SARL [f]		2,972,714	2,972,714	**2,972,714**	6.39%	6.45%
UNIBAIL RODAMCO SE [g]		3,372,714	3,372,714	**3,372,714**	7.25%	7.32%
Reig Capital Group [h]		2,038,956	2,038,956	**2,038,956**	4.38%	4.42%
Sub-total, main shareholders				**43,050,173**	92.52%	**93.41%**
Free float		3,037,551	3,037,551	**3,037,551**	6.53%	6.59%
Treasury stock		441,250	-	**441,250**	0.95%	-
Total		**46,528,974**	**46,087,724**	**46,528,974**	**100.00%**	**100.00%**

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

1. No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.
SFL's share capital at 31 December 2012 was €93,057,948.
To the best of the Company's knowledge, no other shareholder holds over 5% of the capital or voting rights and no agreement exists that could lead to a change of control of the Company.
2. Percentage interest (Group total): 13.64%
3. Percentage voting rights (Group total): 13.77%

MAIN SHAREHOLDERS OF THE COMPANY (2009)

	Colonial	Calyon	Prédica	Crédit Agricole Chevreux	Royal Bank of Scotland	Orion III European 3 SARL	Eurohypo AG	Reig Capital Group	Treasury shares	Free float	Total
Shares	24,870,165	4,091,541	2,368,509	1,000	3,372,714	3,372,714	3,372,714	2,038,955	472,992	2,544,372	46,505,676
Voting rights	24,870,165	4,091,541	2,368,509	1,000	3,372,714	3,372,714	3,372,714	2,038,955	-	2,544,372	46,032,684
% interest	53.48%	8.80%	5.09%	n.m.	7.25%	7.25%	7.25%	4.38%	1.02%	5.47%	100%
% voting rights*	54.03%	8.89%	5.15%	n.m.	7.33%	7.33%	7.33%	4.43%	-	5.53%	98.98%

MAIN SHAREHOLDERS OF THE COMPANY (2010)

	Colonial	Calyon	Prédica	Crédit Agricole Chevreux	Royal Bank of Scotland	Orion III European 3 SARL	Eurohypo AG	Reig Capital Group	Treasury stock	Free float	Total
Shares	24,870,165	4,091,541	2,368,484	1,000	3,372,714	2,9727,14	3,372,714	2,038,955	473,611	2,967,076	46,528,974
Voting rights	24,870,165	4,091,541	2,368,484	1,000	3,372,714	2,972,714	3,372,714	2,038,955	-	2,967,076	46,055,363
% interest	53.45%	8.79%	5.09%	n.m.	7.25%	6.39%	7.25%	4.38%	1.02%	6.38%	100%
% voting rights*	54.00%	8.88%	5.14%	n.m.	7.32%	6.45%	7.32%	4.43%	-	6.44%	98.98%

MAIN SHAREHOLDERS OF THE COMPANY (2011)

	Inmobiliaria Colonial	CA-CIB.	Prédica	Crédit Agricole Chevreux	Royal Bank of Scotland	Orion III European 3 SARL	Unibail-Rodamco SE	Reig Capital Group	Treasury shares	Free float	Total
Shares	24,870,165	3,978,554	2,368,484	1,000	3,372,714	2,972,714	3,372,714	2,038,956	498,482	3,055,191	46,528,974
Voting rights	24,870,165	3,978,554	2,368,484	1,000	3,372,714	2,972,714	3,372,714	2,038,956	-	3,055,191	46,030,492
% interest	53.45%	8.55%	5.09%	n.m.	7.25%	6.39%	7.25%	4.38%	1.07%	6.57%	100%
% voting rights*	54.03%	8.64%	5.15%	n.m.	7.33%	6.46%	7.33%	4.43%	-	6.64%	98.93%

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

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

Changes in interests disclosed to the Company since 1 January 2013

None.

Changes in interests disclosed to the Company in 2012

None.

Changes in interests disclosed to the Company in 2011

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

211C0257: On 2 March 2011, Unibail-Rodamco SE (7, place du Chancelier Adenauer, 75016 Paris, France) disclosed that it had increased its interest in SFL to over 5% of the Company's capital and voting rights and that at that date it held 3,372,714 shares and voting rights, representing 7.25% of SFL's capital and voting rights (2).

The shares were purchased off-market pursuant to a share purchase agreement signed on 24 February 2011 between inter alia Eurohypo AG and Unibail-Rodamco SE.

(2) 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.

(1) Controlled by Commerzbank AG.

Changes in interests disclosed to the Company in 2010

None.

5.3. Dividends paid in the last three years

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

Year	Dividend per share	Dividend qualifying for the 40% tax relief	Dividend not qualifying for the 40% tax relief
2009	€2.10	€2.10	€0
2010	€2.10	€2.10	€0
2011	€1.40	€0.39	€1.01

At the General Meeting of 4 November 2011, shareholders approved the payment of a special dividend of €0.70 per share. At the General Meeting of 15 November 2012, shareholders also approved the payment of a special dividend of €0.70 per share. These dividends qualify for the 40% tax relief.

Dividend policy

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

In any event, as a company taxed as an SIIC, SFL has certain distribution obligations. By virtue of Article 208 C of the French Tax Code, SFL is exempt from paying tax on (i) profits from its property rental activities, (ii) capital gains on property sales and sales of interests in look-through entities or subsidiaries that have elected for the SIIC regime, and (iii) dividends received from subsidiaries that have also elected for the SIIC tax regime.

In exchange for this exemption, the Company must distribute (i) at least 85% of the exempted rental profits within 12 months of the close of the financial year in which the profits are earned, (ii) at least 50% of the exempted capital gains from the sale of properties or interests in look-through entities or subsidiaries that have elected for the SIIC tax regime, or the sale of finance-lease contracts, within 24 months of the close of the financial year during which the capital gains were generated and (iii) 100% of the dividends received from subsidiaries that have also elected for the SIIC tax regime within 12 months of the close of the financial year during which the dividends were received. The amounts to be distributed are determined separately by each company that has elected for the SIIC tax regime, based on its individual earnings (see paragraph 15.1 page 29 "Conditions of eligibility for the SIIC tax regime").

5.4. Transactions in SFL shares

Stock options granted to and exercised by the Chief Executive Officer and the Managing Director

No stock options were granted to or exercised by the Chief Executive Officer or the Managing Director in 2012, except for the 518 options granted to Nicolas Reynaud representing the adjustment required under Article L.228-99 of the French Commercial Code following the distribution from the share premium account of a special dividend of €0.70 per eligible share, as decided by the General Meeting of 15 November 2012 (see table 4, page 17).

Stock options outstanding at 31 December 2012

	Plan	Number of options granted	Exercise price (in €)	Expiry date	Number of options exercised	Number of options outstanding at 31 December 2012
Nicolas Reynaud	13 March 2007 SFL	26,035	60.11	12/03/2015	-	26,035
Total		**26,035**			**-**	**26,035**

Performance share grants

On 16 February 2012, based on the recommendation of the Remuneration Committee, the Board of Directors decided to set up two performance share plans in line with the authorisation given by the Annual General Meeting of 9 May 2011. A total of 69,997 performance shares 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 as follows:

- 49,481 as part of the first performance share plan (Plan 1) for employees and officers of the Company.
- 20,516 shares as part of the second performance share plan (Plan 2) for Bertrand Julien-Laferrière, pursuant to the commitments given at the time of his appointment.

The main features of Plan 1 and Plan 2 are the same, with the exception of the vesting period as specified below.

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 as from the award date (i.e. for this initial award, the year ended 31 December 2014) and, at the earliest, at the end of a three year period from the award date, in the case of Plan 1.
- for the second financial year as from the award date (i.e. for this initial award, the year ended 31 December 2013) and, at the earliest, at the end of a two year period from the award date, in the case of Plan 2.

Continuing presence within the Group

The performance shares will vest only if, at the end of a three-year period for Plan 1 and a two year period for Plan 2, the grantee is still an employee or officer of the Company or another Group entity, as applicable, unless the grantee's separation is due to certain events that are beyond his or her control (such as death, disability, retirement, or a change of control).

Performance targets

The number of performance shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated NAV per share over the vesting period.

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

For each grantee, the number of shares that vest will be equal to:

- 150% of the target number of shares – i.e. the maximum number of shares granted – if SFL gets to first place in the ranking.
- 125% of the target number of shares if SFL gets to second place in the ranking.
- 100% of the target number of shares if SFL gets to third place in the ranking.
- 50% of the target number of shares if SFL gets to fourth place in the ranking.
- 0% of the target number of shares if SFL gets to fifth or sixth place in the ranking.

Lock-up period

In accordance with the French Commercial Code, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

In addition, for performance shares awarded to corporate officers and certain senior executives, after the end of this statutory 2-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

The General Meeting of 19 April 2012 authorised a share buy-back programme with the following objectives:

- To purchase shares for allocation to Group employees in connection with (i) the non-discretionary profit-sharing scheme, (ii) any programme of employee share awards, with or without consideration, governed by Articles L.3332-1 *et seq.* of the French Labour Code or (iii) any stock option plan or performance share plan for all or certain categories of employees and corporate officers.

- 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 permit the issue of debt securities convertible into equity instruments and the fulfilment of the obligations related thereto, in particular by delivering shares upon exercise of rights attached to securities convertible, redeemable or otherwise exercisable for shares.

- 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 buy back shares for cancellation, in accordance with Article L.225-209 of the French Commercial Code, subject to an authorisation from the Extraordinary General Meeting to reduce the Company's capital.

- To carry out any market practices that may be recognised in the future by law or by the securities regulator.

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 €50 per share.

At 31 December 2012, the Company held 441,250 shares in treasury, representing 0.95% of the capital, breaking down as follows:

1. Shares purchased for allocation to SFL Group employees: 33,054.

2. Shares purchased under a liquidity contract with an investment firm: 7,050.

3. Shares held for delivery on exercise of rights attached to share equivalents: 377,863.

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 18 April 2013 Annual General Meeting authorising a further buyback programme. The maximum purchase price for these shares would be set at €55 (sixteenth ordinary resolution). Under the terms of the new programme, the Company would be authorised to buy back shares representing up to 10% of the issued capital.

Based on the issued capital at 31 December 2012, the authorisation would concern the buyback of up to 4,652,898 shares. This ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting.

The aims of the programme would be:

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

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

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

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

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

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

If shares were to be bought back under a liquidity contract under the terms and conditions defined by the AMF's general regulations, the number of shares used to calculate the limit of 10% of the issued capital would correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The number of shares that may 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 2012 to 31 December 2012

Percentage of capital held by the Company and/ or its subsidiaries	0.95%
Number of shares cancelled in the last 24 months	0
Number of shares held	441,250
Carrying amount of the portfolio	€24,544,641.63
Market value of the portfolio (at 31 December 2012)	€15,664,375.00

	Cumulative transactions		Open positions on the publication date of programme details			
	Purchases	Sales/Transfers	Open buy positions		Open sell positions	
			Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	87,202	144,434	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average transaction price	€33.95	€32.02	-	-	-	-
Average exercise price	-	-	-	-	-	-
Amount	€2,960,277.94	€4,624,745.15	-	-	-	-

Transaction costs under the liquidity contract amounted to €26,800 in 2012.

Transactions carried out by directors or parties closely related to them.
None.

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

5.5.1. Corporate mutual fund

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

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

It met on 26 June 2012 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

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

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

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

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

5.5.3. Disclosure obligations

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.

5.5.4. Shareholders' pact

See paragraph 14 "Risks associated with the majority shareholder" on page 28.

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

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

Prédica representative on the Board of Directors and certain committees

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

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

Put option

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

- If SFL decides to revoke its election for the SIIC tax regime.
- If Colonial decides to delist SFL shares from the Premier Marché of NYSE Euronext Paris.
- If Colonial decides to change the Company's strategic priorities compared with those announced when it took control of SFL and which are set out in the shareholders' pact.

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

- If SFL is merged into Colonial.

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

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

Pre-emptive purchase right

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

Tag-along clause

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

Cap on Prédica's interest in SFL

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

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

210C1218:

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

The pact arose from the transactions to be carried out pursuant to the terms of the exclusive negotiation letters signed on 20 October 2010 between (i) SFL and SIIC de Paris and (ii) SFL and Realia [2], as confirmed by the agreements dated 25 November 2010. At the time of the agreements, Realia held 84.83% of the capital and voting rights of SIIC de Paris.

The transactions described in the agreements dated 25 November 2010 are as follows:

- Contribution by SFL to SIIC de Paris of two office properties together valued at approximately €286 million, in exchange for 15,476,190 newly issued SIIC de Paris shares representing 36.36% of its capital and voting rights [3]. The purchase and share issue would be subject to approval by SIIC de Paris's shareholders at an Extraordinary General Meeting to be held on 27 December 2010. The share issue would have the effect of reducing Realia's interest in SIIC de Paris to 53.99% of the capital and voting rights;

- Immediately after the above transaction, sale by SFL to Realia of 2,706,652 SIIC de Paris shares, corresponding to 6.36% of the capital and voting rights, at a price of €18.48 per share (representing a total of approximately €50 million), in order to reduce its interest to 29.99% of the capital and voting rights. It was agreed that Realia would sell a certain number of SIIC de Paris shares prior to the Extraordinary Meeting, so that after acquiring these shares from SFL, its interest in SIIC de Paris would stand at between 56.36% and 59.75%.

2 -The 25 November 2010 shareholders' pact between SFL and Realia, the main terms of which were agreed in the exclusive negotiation letters signed on 20 October 2010, is primarily intended to protect SFL's position as a minority shareholder of SIIC de Paris. The principal clauses are as follows:

- The SIIC de Paris Board of Directors will have ten members, of which three nominated by SFL, and certain fundamental decisions [4] of the Board may only be made by a majority vote of eight of the ten members.

- SFL will have a pre-emptive purchase right in the event of (i) the planned transfer by Realia of all or some of its SIIC de Paris shares in a transaction that will reduce its interest to less than 50% of the capital and voting rights, and (ii) any subsequent transfer of SIIC de Paris shares by Realia [5].

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

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

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

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

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

- The pact also describes:

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

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

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

  – 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.

3 -SFL's application for a waiver of the obligation to file a takeover bid for SIIC de Paris was reviewed by the AMF at its meeting on 16 November 2010.

The sale of assets in exchange for shares described in paragraph 1 would result in SFL acquiring over one-third of SIIC de Paris's capital and voting rights, although its interest would immediately be reduced to below this threshold. Under stock market rules (Article 234-2 of the AMF's general regulations), SFL would therefore normally be required to file a takeover bid for the company. SFL applied for a waiver of this rule based on Article 234-9-6 of the AMF's general regulations.

The AMF noted that (i) SFL would temporarily acquire over one-third of SIIC de Paris's capital and voting rights as a result of the asset contribution, and would immediately sell some of the shares in order to reduce its interest to 29.99% of the capital and voting rights, and (ii) Realia held and would continue to hold individually the majority of voting rights in SIIC de Paris. On this basis, and having noted that SFL and Realia did not intend to act in concert with regard to SIIC de Paris, the AMF agreed to waive the requirement for SFL to file a takeover bid for SIIC de Paris.

[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] Based on a total of 42,565,130 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's general regulations.
[4] (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.
[5] Realia has given an undertaking that if, as a result of exercising its pre-emptive right to acquire SIIC de Paris shares, SFL were to be required to make a takeover bid for the company, no SIIC de Paris shares held by any companies in the Realia group would be tendered to the offer.

5.5.5. Partnerships

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

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

SFL 66%
PREDICA 34%

SCI WASHINGTON

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

(1) Prédica, the life insurance subsidiary of Crédit Agricole Assurances, took up an equity interest in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.
(2) To enable SFL to fully consolidate Parholding (in accordance with IAS 27 – Consolidated and Separate Financial Statements that is applicable by SFL as a company listed on a regulated market, and in the future in accordance with 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.

SFL 50%
PREDICA 50%

SAS PARHOLDING

5.6. Share performance

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

		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2012	January	36.30	33.00	107,029	3.257
	February	36.59	34.50	61,572	2.094
	March	35.84	34.40	79,475	2.782
	April	35.39	31.95	14,274	0.480
	May	33.50	31.30	16,792	0.547
	June	33.25	31.20	30,159	0.976
	July	33.50	31.80	80,618	2,635
	August	35.00	31.97	19,541	0.650
	September	34.00	33.20	28,351	0.958
	October	36.00	33.76	114,017	3.943
	November	36.50	34.03	29,696	1.057
	December	37.00	34.00	46,698	1.646
2013	January	38.00	35.00	277,153	9.923
	February	40.25	35.80	56,889	2.094

Source: NYSE Euronext (https://connect.nyx.com/fr/home)

6. 2012 Sustainable Development Report

Sustainable development is a process that takes into account the environmental and social aspects of development, with the goal of preserving natural resources over the long-term for future generations.

SFL has been renovating and developing urban properties since its creation in 1879, and is therefore a natural participant in the sustainable development process. However, our involvement goes far beyond building a legacy of sustainable structures.

SFL intends to set the industry benchmark in this area, expressing our own vision in our core competencies, in compliance with ISO 26000 corporate social responsibility standards, France's Grenelle II environmental regulations and the best-practice recommendations of the Global Reporting Initiative (GRI), the GRI Construction and Real Estate Sector Supplement (CRESS), and the European Platform of Regulatory Authorities (EPRA).

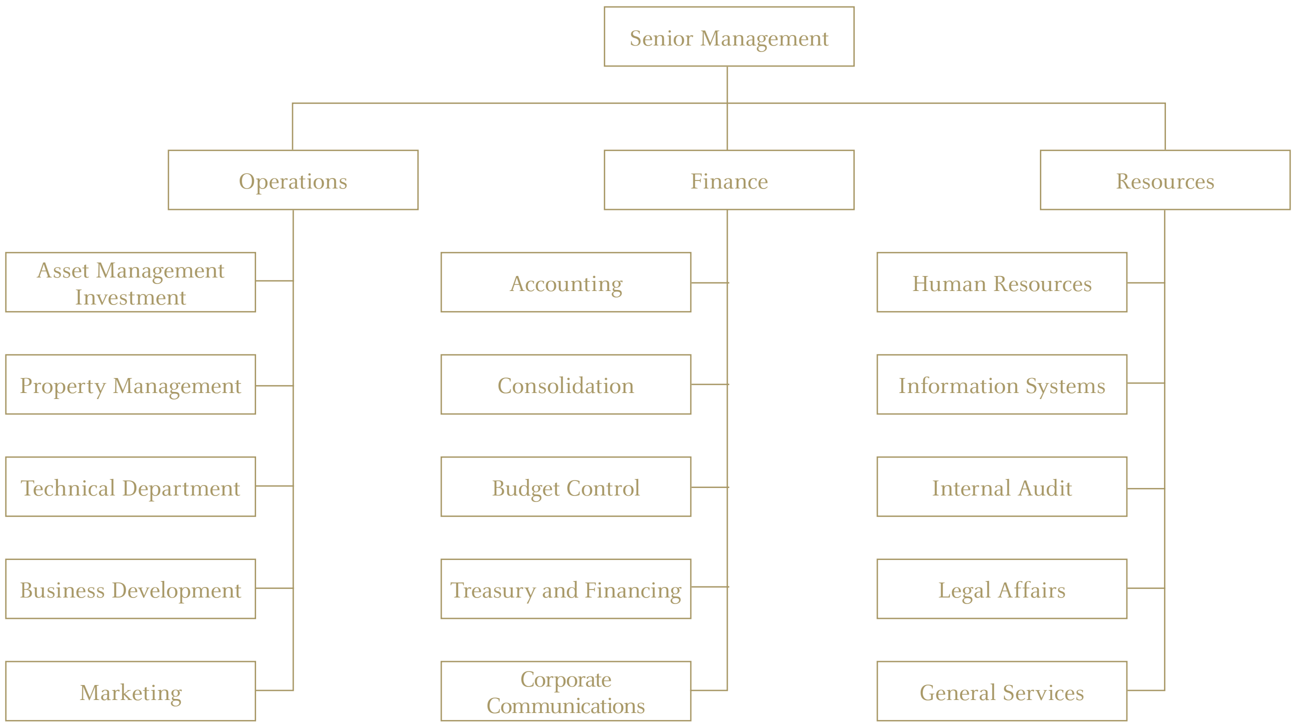
Therefore, as presented in this report, we have implemented an ambitious process guided by clearly defined objectives focusing on the main areas of sustainable development that are relevant to our business. In particular, we aim to reduce greenhouse gas emissions; perform building carbon audits; certify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

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

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

Governance and organisation structure

SFL's organisation structure, which was revamped in 2011, is built around three areas of expertise:



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

Sustainable development governance and organisation

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

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

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

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

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

Objectives and action plan

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

	Objectives	Scope of reporting	Target deadline	Status as of 31 December 2012
Governance				
Organisation and procedures	- Structure and formalise the organisation	Head office	2012	100%
Code of Ethics and Information Systems	- Strengthen existing standards	Head office	2013	50%
Employee relations				
Diversity and equal opportunity	- Promote gender equality - Keep older employees in work - Support disabled employees	Head office	Ongoing	
Training and skills management	- Anticipate market trends to improve employee professionalism - Hold regular meetings to train and inform operating staff about our sustainable development strategy and issues and about new legislation	Head office	Ongoing	
Environment				
Energy use	- Track energy use on a quarterly basis - Reduce total energy used by buildings in the portfolio by 15% - Record client energy use	All buildings in the scope of reporting	Ongoing 2014 Ongoing	80%
	- Track energy use on a quarterly basis - Reduce energy used at the head office by 15%	Head office	Ongoing 2014	0%
Water use	- Track water use on a monthly basis - Record client water use - Reduce water use by 10%	All buildings in the scope of reporting	Ongoing Ongoing 2013	100%
	- Track water use on a monthly basis - Reduce water use by 10%	Head office	Ongoing 2013	8%
Waste management	- Set up a waste sorting system - Improve measurement of waste generated by building operation	All buildings in the scope of reporting	2012 2013	78% 10%
Carbon footprint	- Perform a carbon audit of each building under renovation	Every building under renovation	Ongoing	
	- Perform carbon audits of all the assets in the portfolio	All buildings in the scope of reporting	2012	100%
	- Perform a carbon audit of the head office	Head office	2012	100%
Certification for buildings in use	- Initiate a process to certify buildings in use to BREEAM In-Use standards (Asset Performance and Building Management)	All buildings in the scope of reporting	2013	42%
	- Initiate a process to certify single-tenant buildings not under management to BREEAM In-Use standards (Asset Performance)	Six buildings in the portfolio	2013	0%
Certification for buildings under renovation	- Initiate an environmental certification process for every building under renovation	All buildings under renovation	Ongoing	
Biodiversity	- Introduce green space management contracts with clauses to limit our impact on biodiversity. Ban the use of pesticides - Earn Ecojardin certification for responsible green space management	Buildings with green spaces	2013 2014	0% 0%

	Objectives	Scope of reporting	Target deadline	Status as of 31 December 2012
Paper use	- Increase the amount of recycled paper to 50% of the total	Head office	2013	6%
	- Reduce paper use by 20% per person			0%
Eco-practices, eco-behaviour and eco-buildings	- Raise employee awareness by distributing the "GreenLetter" twice a quarter	Head office	Ongoing	
Society				
Green leases	- Only sign green leases, regardless of the surface area	Entire portfolio	Ongoing	100%
	- Make existing leases greener by July 2013	Existing leases for properties over 2,000 sq.m	July 2013	0%
Customer participation in the process	- Set up "green" committees for all assets in the portfolio	Entire portfolio	2013	15%
Customer surveys	- Conduct annual customer surveys to improve response rates at each site	Entire portfolio	Ongoing	
Building accessibility for people with reduced mobility	- Audit our buildings - Improve building accessibility	All buildings in the scope of reporting	2012 2014	100%
Building accessibility for people with other disabilities	- Audit our buildings - Improve building accessibility for people with other disabilities	All buildings in the scope of reporting	2012 2013	100% 20%
Responsible purchasing	- Extend the responsible purchasing strategy across the organisation	Head office	2013	10%
	- Extend the responsible purchasing strategy by including specifications in building management contracts	All buildings in the scope of reporting	2013	100%
	- Strengthen the responsible purchasing strategy by including specifications in works contracts	All buildings under renovation	2013	50%
Management contracts	- In all new management contracts, include clauses requiring measurable reductions in energy use	All buildings in the scope of reporting	2013	50%

1. Human resources

1.1 Human resources policies

SFL's human resources policies reflect a commitment to i) aligning human resources with the Company's needs; ii) promoting the values of a new corporate culture based on value creation, empowerment, accountability, professional excellence and individual and team performance; and iii) involving employees in the deployment of corporate strategy. Based on these objectives, three avenues for action were pursued in 2012:

- Consolidate the operating structure introduced in 2011.
- Develop a participatory, motivating compensation policy.
- Enhance employee skills and continue to invest in training.

With a core focus on increasing portfolio value and satisfying client/users, the Operations Department comprises more than 55% of all employees, working in property management, asset management, business development, technical and marketing positions. These teams are involved in every aspect of our operations:

- Managing leases and client/user relationships.
- Defining and implementing the asset-enhancement strategy.
- Managing acquisitions and disposals.
- Identifying prospects and negotiating leases.
- Coordinating maintenance work and development projects as the Project Owner.
- Defining and implementing the sustainable development strategy.
- Tracking safety and environmental legislation.

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

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

1.2 Job management

Given employee movements during the year, the workforce remained relatively stable in 2012, at 81 people at year-end compared to 83 at 31 December 2011. Three people were hired in 2012 and four left (not including contracts terminated on the last day of the year). In addition, one employee on payroll at year-end 2011 left the Company on 31 December 2011.

Women make up the majority of the workforce, at 63% of the total, and work mainly in management (two-thirds of employees are classified as managers).

Average seniority is 11 years and the average age is 45, with 55% of employees aged 45 or more.

All but one of the 81 employees on payroll at 31 December 2012 were hired under permanent contracts. The only fixed-term contract, which was signed in 2012, concerns a tax advantaged work-study arrangement specific to France (available to 16 to 25 year-old students or unemployed individuals aged 26 and over, whereby periods of general, technological and vocational courses alternate with periods of on-the-job training).

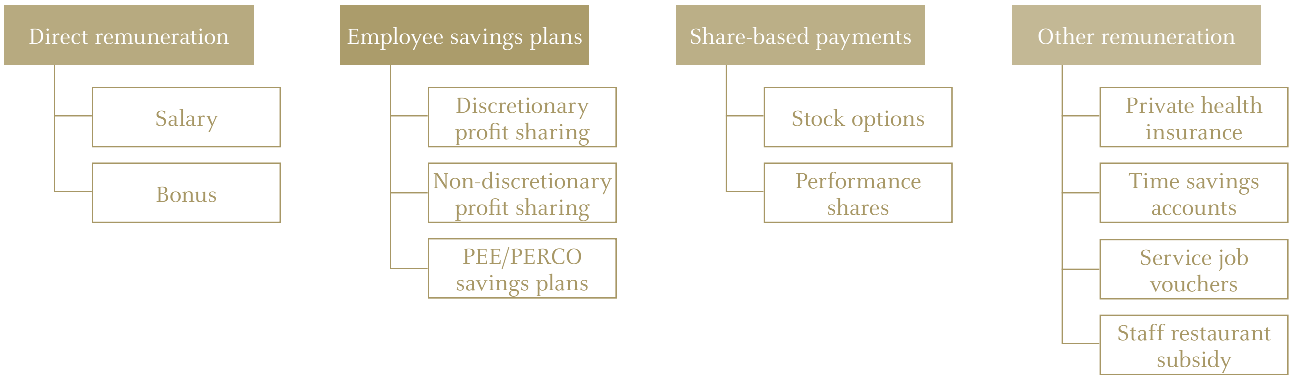
In 2012, the Company also used the services of three contract employees for outsourced reception work and IT maintenance.

No redundancy plans were implemented by the Group in 2012.

1.3 Remuneration policy

Under our human resources management model, remuneration serves two purposes:
- Reward and recognition,
- Incentive and motivation.

These two objectives have shaped the different forms of remuneration offered at SFL:



All of these schemes, whether individual or collective, immediate or differed, are managed with the aim of guaranteeing:
- The alignment of employee remuneration with our strategic vision.
- Fair compensation for all employees.
- Our competitiveness in the jobs marketplace.
- Disciplined payroll cost management.

The use of a remuneration system based on both skills (salary) and performance (bonus) also enhances our culture of participatory management and helps to drive our growth by rewarding the employees who make the most significant contributions. Accordingly, the 2012 pay round focused on raising individual salaries based on performance, within an overall payroll budget increase of around 2%.

Coordinated by the Human Resources Department, the raises involved a review of year-on-year variances in regard to:
- Comparable responsibilities in the same or separate position.
- The principle of equal pay for men and women.
- Market salary data from national or industry surveys.

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

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

In February 2012, a performance share grant plan was set up for all employees. Complementing the non-discretionary and discretionary profit-sharing schemes already in place, the plan reflects SFL's commitment to giving every employee a stake in driving its growth, deploying its strategy and delivering its future performance. Under the plan, employees and corporate officers were granted 49,481 shares that will vest depending on growth in consolidated net asset value per share versus a reference peer group over the three-year vesting period (in line with EPRA recommendations).

Lastly, to encourage employees to save more for retirement, a system was introduced in 2012 that converts vacation days earned in time savings accounts into investments in the PERCO Pension Savings Plan. This tax-advantaged solution optimises employee savings without any additional financial contribution. The new PERCO investment system also led us to broaden the range of corporate mutual funds available under the scheme, which now features five funds suited to different saver profiles:

- Two equity funds.
- A diversified fund.
- A money market fund.
- A bond fund.

In 2012, 50 employees decided to invest in the PERCO plan. The average matching contribution per participant was €2,790.

Compensation awarded under non-discretionary and discretionary profit-sharing agreements totalled €232,780 in 2012. Over the last five years, such compensation averaged 10.5% of total payroll per reference year for which the amounts were distributed.

1.4 Working hours

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

Full-time and part-time administrative staff, excluding caretakers, broke down by gender as follows at 31 December 2012:

Working hours	Women	Men	Total
Full-time	42	29	71
Part-time	8		8

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

Employee absences in 2012 are best understood in light of the employee data presented on page 52 of this report.

1.5 Diversity and equal opportunity

Gender equality

Under the Company-level agreement signed on 16 December 2011, SFL reaffirmed its pledge to uphold the principle of non-discrimination on the basis of gender and its commitment to promoting equal opportunity in the workplace. 2012 was therefore the first full year of application for the agreement, which is designed to ensure both equal opportunity in hiring and equal access to career advancement opportunities, supported by professional training.

Accordingly, the recruitment firms regularly used by SFL were informed of the agreement and the need to comply with its provisions with respect to selecting and identifying candidates. For example, job announcements must be gender neutral, systematically state that both men and women are eligible and only refer to availability requirements where the nature of the position makes this absolutely necessary. In the same spirit, the 2012 training plan was prepared with the aim of ensuring that women were at least as represented as men among trainees.

As a result of this commitment, one of the two people hired under permanent contracts in 2012 was a woman and 37 women (73% of all female employees) and 14 men (47% of all male employees) received some form of training during the year.

In addition, line managers are reminded each year about the importance of applying the principle of equal pay when they award the pay rises approved during annual pay rounds. The participants in the 2012 pay round noted that the principle of gender equality was being actively applied to hiring, training and promotion practices.

Keeping older employees in work

At 31 December 2012, the number of employees aged 55 and over totalled 13, representing 16% of the total workforce. This is significantly higher than the 8%-12% target set in the industry-wide agreement signed in December 2009 in favour of keeping older employees in work.

The disabled

As part of its policy of supporting measures to help the disabled to find work, each year the Group allocates a significant proportion of the amount payable under the apprenticeship tax scheme to ADAPT, a not-for-profit organisation working in this area. In 2012, the Group's contribution amounted to €6,260.

In addition, SFL embraced its role as a corporate citizen by participating, from 12 to 18 November 2012, in the 16th annual Disabled Employment Week organised by ADAPT.

Lastly, given the relative stability of its workforce and low hiring volume, SFL contributed €55,140 to Association de Gestion du Fonds pour l'Insertion Professionnelle des Travailleurs Handicapés (AGEFIPH) in fulfilment of its obligations concerning the employment of disabled workers.

1.6 Training and skills management

In 2012, 2.50% of total payroll was allocated to training programmes as part of initiatives designed to promote employee skills acquisition and/or development.

Training programmes for 2012 were selected with the following goals in mind:

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

Over the course of the year, more than 1,300 hours of training were given to 51 employees in such subjects as asset management, financial management, law, business management, office technology and languages.

1.7 Employee relations

SFL's employee representative bodies include a Unified Employee Delegation (*Délégation Unique du Personnel*) and a Health, Safety and Working Conditions Committee, whose members are regularly informed of and consulted on projects of interest, such as the Group's organisation and operations. In addition to the usual topics falling within its general remit, the Works Council was consulted in 2012 on the performance share grant plan and adjustments to the employee savings scheme.

SFL complies with its obligations under the applicable regulations concerning the mandatory employee representative information and consultation process.

Collective agreements

Four collective agreements concerning the employee savings scheme were signed in 2012, leading to the amendment of certain provisions concerning the PEE and PERCO rules, the time savings account and non-discretionary profit-sharing. In addition to the collective bargaining agreements applicable to site staff, caretakers and building employees, SFL employees were covered by the general provisions of the following collective agreements as of 31 December 2012:

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

No new agreements concerning health and workplace safety were signed in 2012.

1.8 Health and safety

The role of the Health, Safety and Working Conditions Committee, whose membership was refreshed in 2011, is to contribute to improving employee health, safety and working conditions.

In 2012, the unified occupational risks report was updated in cooperation with APAVE, a French provider of prevention, occupational health and safety, and risk management training. Required under French law, the report identifies health and safety threats and the prevention measures to be improved or introduced to eliminate or attenuate each one. More than 70% of potentially dangerous situations identified as part of this process were deemed to present a low level of risk due to prevention measures already in place or simply needing improvement. Presented to the Health, Safety and Working Conditions Committee at year-end, the report's recommendations were incorporated in the occupational risk prevention programme for 2013.

In addition, as is the case every year, employees responsible for coordinating evacuation procedures in the event of a fire attended fire prevention classes and drills in 2012.

1.9 Employee relations indicators

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

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

GRI 3.1 disclosure		Indicator		Scope	2010	2011	2012
		Social: labour practices and decent work					
		Employment					
BASE	LA1	Total employee numbers by type of contract (fixed-term/permanent), gender, category, age group and location	Total employees	SFL Group	85	83	81 √
			Permanent contract		84	83	80 √
			Fixed-term contract		1	0	1 √
			Men		32	32	30 √
			Women		53	51	51 √
			Managers		52	53	54 √
			Supervisors		15	14	13 √
			Administrative employees		18	16	14 √
			Under 45		39	37	36 √
			Aged 45 or over		46	46	45 √
			Paris		85	83	81 √
			Other		0	0	0 √
BASE	LA2	New hires by type of contract, gender, category, and age group	**New hires**				
			Permanent contract		3	4	2 √
			Fixed contract		2	0	1 √
			Men		4	2	2 √
			Women		1	2	1 √
			Managers		4	3	3 √
			Supervisors		0	0	0 √
			Administrative employees		1	1	0 √
			Under 45		4	4	3 √
			Aged 45 or over		1	0	0 √
		Number of terminations by reason	Personal		0	2	3 √
			Economic		0	0	0 √
SUP	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Total in € thousands		7,258.48	6,757.90	6,493.88
		Labour/management relations					
BASE	LA4	Percentage of employees covered by collective bargaining agreements		SFL Group	100%	100%	100%
		Occupational health and safety					
BASE	LA7	Number of reported and recognised lost-time workplace accidents		SFL Group	NA	NA	0 √
		Number of reported and recognised lost-time commuting accidents			NA	NA	1 √
		Number of working days lost as a result of workplace accidents			NA	NA	0 √
		Number of working days lost as a result of commuting accidents			NA	NA	13 √
		Accident frequency rate			7.29	7.37	7.37 √
		Accident severity rate			0.58	0.79	0.09 √
		Number of recognised and reported occupational illnesses			0	0	0 √
		Absenteeism					
		Illness (in number of working days)			620	541	983
		Maternity (in number of working days)			87	79	256
		Child illness (in number of working days)			30	27	30
		Family events (in number of working days)			31	28	49

GRI 3.1 disclosure		Indicator		Scope	2010	2011	2012
		Training and education					
BASE	LA10	Total number of training hours	Hours	SFL Group	2,700	1,394	1,337 √
SUP	LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Men Women	SFL Group	100% 100%	100% 100%	100% 100%
		Societal					
		Local communities					
BASE	SO1	Percentage of operations involving local community engagement, impact assessments, and development programmes		SFL Group	0	0	0
BASE	SO9	Operations with significant, potential or actual negative or positive impacts on local communities		SFL Group	0	0	0
		Public policy					
SUP	SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country		SFL Group	0	0	0
		Anti-competitive behaviour					
SUP	SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		SFL Group	0	0	0
		Compliance					
BASE	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		SFL Group	0	0	0
		Customer privacy					
SUP	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		SFL Group	0	0	0

Covered by France's Grenelle II environmental recommendations.
√ Verified by Deloitte.
NA Not Available.

2. Environment

2.1 Environmental strategy

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

Our environmental strategy is built around certain core objectives:

– Continue to steadily improve the portfolio's environmental performance over time, leveraging the excellence of the current portfolio and the tracking of environmental indicators.
– Design redevelopment and major renovation projects to meet the highest environmental certification and carbon footprint standards.
– Add climate change risk to the criteria considered prior to deciding on potential property acquisitions.

In 2012, we confirmed the effectiveness and excellence of the portfolio's overall carbon performance, which guarantees one of the smallest carbon footprints per workstation in the world. To further this ambition, we are constantly reinventing the portfolio in response to our clients' CSR expectations and their need to comply with both the Grenelle II environmental recommendations and international standards.

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

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

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

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

Our client partners are also being gradually involved in continuous improvement programmes, with shared work guidelines for addressing such issues as green leases, lease-related environmental audits, integration into their greenhouse gas emissions reduction plans, and training in eco-practices. Such collaboration is designed to share with all our stakeholders the excellence of this strategy, which has positioned our portfolio among the best in Europe in terms of the environmental impact of property use by clients.

To effectively deploy this strategy, SFL identified in 2011 a number of sustainable development issues requiring priority attention. In 2012, the policies and enabling tools were introduced to track the relevant pre-defined indicators and thereby reduce our environmental footprint.

Lastly, in 2012, SFL did not record any provisions or enter into any guarantees for environmental risks.

2.2 Data collection, measurement and reporting procedures

To report data on our buildings' energy use, water use and waste production, proprietary procedures have been developed to standardise the data collection process and to define the contributors and verification methods. They also describe the applicable standards, notably article 225 of the French Act of 12 July 2010 ("Grenelle II"), the Global Reporting Initiative (GRI 3.1) and CRESS supplement, and the EPRA's recommendations. Lastly, they define the scope of reporting.

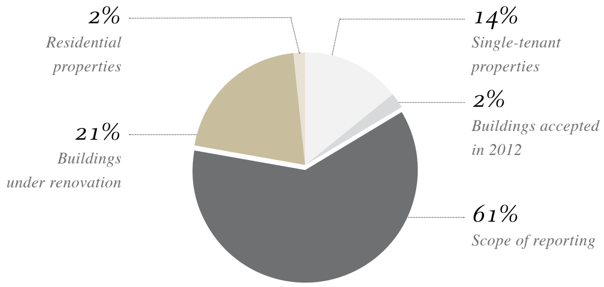
2.2.1 Reporting period

The audit covers the full calendar year, with three years (2010-2012) of comparative data. Note that comparative information for the head office is presented only from 2011, when it was first included in the programme.

2.2.2 Scope of reporting

SFL's portfolio comprises 19 buildings, representing a total non-weighted average useful surface area of 383,000 sq. m. The nine buildings included in the scope of reporting are multi-tenant properties with significantly high occupancy rates (over 60%).

SFL Property Portfolio



The scope of reporting does not include single-tenant buildings, buildings being vacated for future renovation, buildings under renovation and residential space.
The buildings concerned are as follows:

- 1. 176 Charles-de-Gaulle, Neuilly-sur-Seine
- 2. 96 Iéna Paris 75016
- 3. Ilôt Édouard VII Paris 75009
- 4. 112 Wagram Paris 75017
- 5. Rives de Seine Paris 75012
- 6. LDE/LDA, 151 rue Saint-Honoré Paris 75001
- 7. 103 Grenelle Paris 75007
- 8. Cézanne Saint-Honoré Paris 75008
- 9. Washington Plaza Paris 75008.

The scope of reporting (excluding residential space) represents 61% of the total surface area of our entire residential, retail and office property portfolio.

2.2.3 Changes in the scope of reporting

The number of buildings covered by our audits may increase as a result of acquisitions and the delivery of renovated buildings that are at least 60% let.

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

2.2.4 Standard surface area measure and occupancy rate

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

2.2.5 Energy

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

When a building's total energy use is unknown, in particular where private areas are concerned, the total is calculated by estimating energy use per unit based on the type of heating and cooling systems used by the tenant. These estimates, which give a clearer picture of actual use and vary by building, are determined in partnership with an experienced energy analysis agency.

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

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

However, it is difficult to compare energy use intensity in absolute terms from one year to the next, due to changes in the total surface area included in the scope of reporting and its occupied portion. For this reason, last year's absolute value data have been compared with a similar scope of reporting, in this case 2010 with seven buildings. Energy use intensity ratios for the 2012 scope of reporting (nine buildings) have been presented separately.

2.2.6 Water use

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

2.2.7 Waste

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

2.3 Environmental footprint

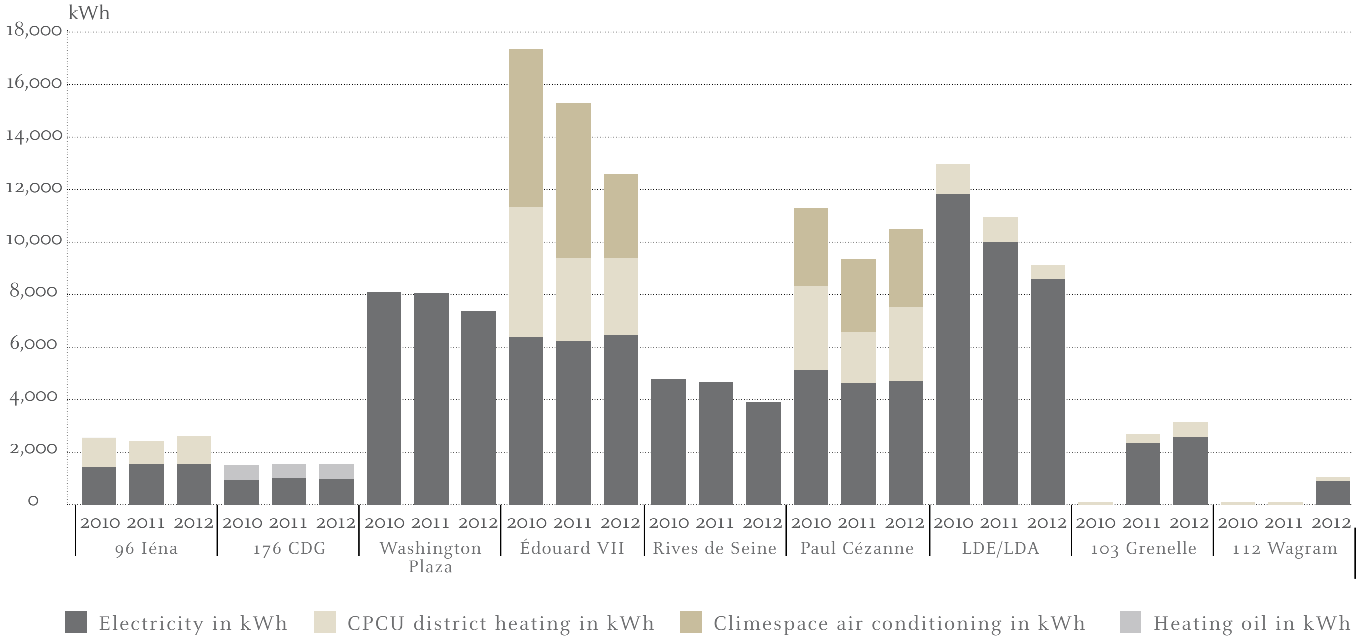
2.3.1 Energy use

An analysis of energy use intensity, based on all sources, shows that at comparable scope of reporting, around 12% less energy was used in 2012 than in 2010. Note that 2010 was a particularly cold year, whereas 2012 saw relatively normal seasonal temperatures.

In 2012, for the nine-building scope of reporting, energy use intensity stood at 227 kWh/sq. m/year, all sources combined.

Once the energy audits of the buildings in the scope of reporting have been analysed, technical solutions will be deployed according to a schedule running until 2014. This commitment will drive continuous improvement in energy use by the property portfolio, with the goal of delivering final savings of 15% by that year.

Building energy use reported in 2010, 2011 and 2012



2.3.2 Water management

Water, a central concern at SFL

France is fortunate to be a country where water is abundantly available and inexpensive, but it would be very narrow-minded not to pay close attention to this non-renewable resource. SFL buildings are supplied exclusively by the Paris water distribution system. Extracted from aquifers and rivers, the water is purified and then transferred as drinking water to end-user locations. None of our sites lift water from vulnerable sources.

In 2011, we pledged to reduce water use in the scope of reporting by 10% by 2013. This target has already been exceeded.

Our proactive approach has led to the installation of water-saving technologies on all outlets in both common areas and vacant private units. No fewer than 1,000 outlets in the nine buildings in the scope of reporting were thus equipped in 2012. Since their installation, these solutions have lowered water use by an average 28.5%.

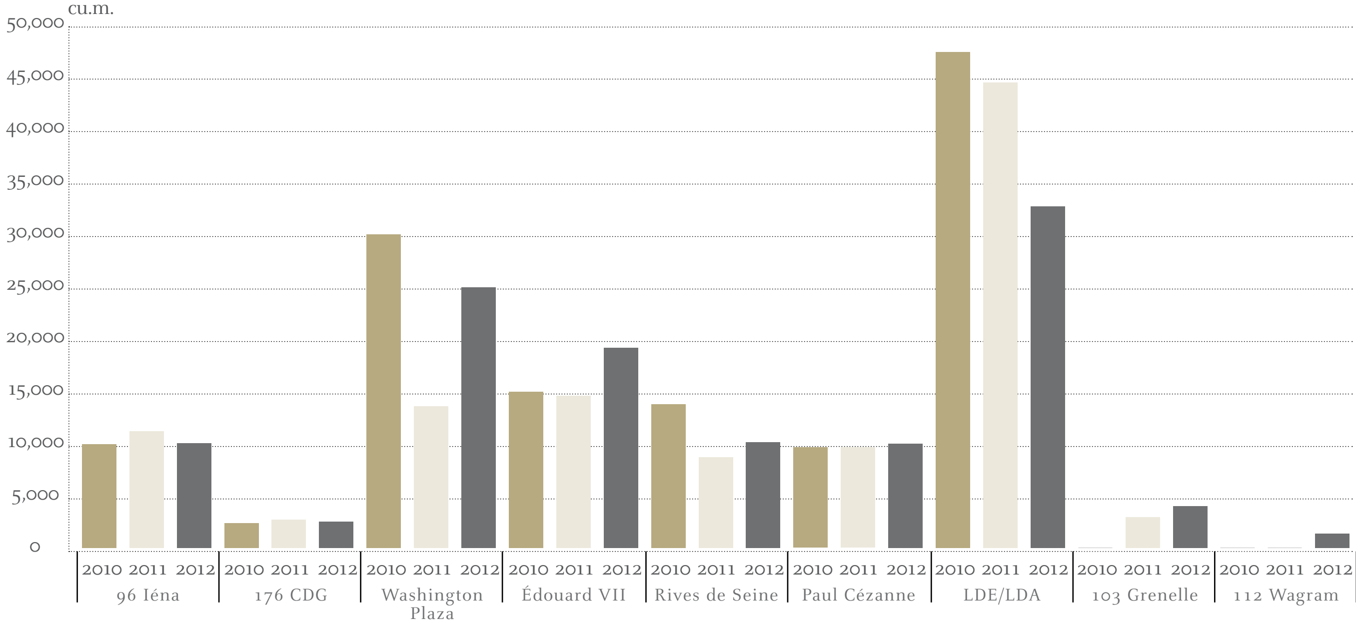
Property renovation programmes are required to comply with best global water use practices by applying LEED green building standards.

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

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

At the head office, all of the water outlets and restrooms have been equipped with the same water-saving technologies installed in portfolio properties, so that water use is expected to decline by roughly 23.5% in 2013.

Building water use reported in 2010, 2011 and 2012



2.3.3 Reducing waste

In the scope of reporting

In 2011, it was decided to begin deploying a waste sorting system across the scope of reporting in 2012. By year-end, 80% of the buildings had been equipped, with the rest scheduled for installation in 2013. Many tenants have embraced the spirit of the initiative by setting up systems for sorting waste at source.

The total amount of waste produced by type and disposal method is still often unknown. In 2013, this indicator will be tracked more closely to develop a clear understanding of how much non-hazardous and recycled waste is generated by each site.

At the head office

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

Waste sorting

Each workstation and conference room has a two-compartment waste bin allowing users to sort paper waste to enable its recycling and reuse. Thanks to this system, all of the paper waste was recycled in 2012, representing three tonnes of paper, based on daily weighings. Waste per person totalled roughly 40 kg during the year. The goal is to reduce our contribution to waste by 10% in 2013.

▪ Batteries

A used battery collection bin has been installed at the head office to collect batteries for proper disposal. 22 kg of batteries were collected in 2012.

▪ Toner cartridges

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

▪ Waste electrical and electronic equipment (WEEE)

Waste electrical and electronic equipment collected by SFL includes used cell phones and calculators, as well as any worn-out or defective electronic equipment. Given that our IT hardware is leased, we are not responsible for its recovery or reuse. However, we have now arranged for obsolete hardware to be collected and disassembled by Ecologic-France, an accredited environmental organisation dedicated to WEEE recycling. With this initiative, 220 kg of WEEE was collected in 2012.

2.4 Environmental quality and asset certification and labelling

A programme is now underway to earn environmental certification for all of the buildings in the portfolio by 2013.

2.4.1 Properties in use

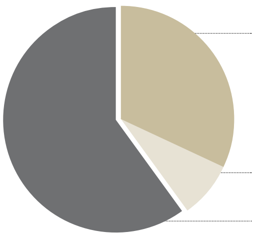
The certification standard for buildings in use is the universally recognised BREEAM In-Use process.

The first certification, for 103 Grenelle in 2009, was earned on the basis of HQE Exploitation® green building management standards. In 2012, the asset was certified compliant with BREEAM In-Use standards, in line with the new strategy. It is the first building in the world that meets the criteria under both in-use certification schemes.

During the year, the Louvre des Entreprises et des Antiquaires and the Cézanne Saint Honoré building were also certified to BREEAM In-Use standards, with satisfactory ratings.

	BREEAM In-Use Certification	
SFL buildings	Asset Performance	Building Management
103 Grenelle Paris 75007	Good with 46.69%	Good with 42.70%
LDE/LDA Paris 75001	Good with 45.29%	Pass with 31.70%
Cézanne St-Honoré Paris 75008	Good with 45.19%	Good with 40.29%

In-Use Certification Status- 2012 Scope of Reporting



2.4.2 Buildings under renovation

Our environmental performance targets are defined in a programme that is regularly adjusted to take into account the latest technologies and construction standards.

This method helps to ensure that redevelopment projects can earn one or more certifications with high ratings, including an HQE® Sustainable Building Passport rating of at least "Excellent", a BREEAM rating of at least "Very Good" and/or a "Gold" LEED rating.

As the owner of 103 Grenelle, the first freestone building to be awarded HQE® environmental certification, in 2009, SFL has firmly established its credentials as a pioneer and will continue its programmes in this area.

The Mandarin Oriental Hotel on rue Saint Honoré in Paris's 8th *arrondissement* earned renewed "Construction and Renovation" certification to HQE® standards in 2012. In addition, the project served as a pilot site for the development of Certivéa's HQE® hotel certification programme.

The extensive In/Out redevelopment project offers the most compelling example of our commitment to sustainable development and our strategy of positioning our assets as global benchmarks by applying international standards right from the planning phase. The project is designed to obtain triple certification, with the HQE® Sustainable Building Passport, a BREEAM "Very Good" rating and a LEED "Gold" rating with the ambition of reaching "Platinum" status. Already, the In/Out planning and design phase has been awarded HQE® certification and the Certivéa sustainable building passport "Exceptional" rating. The project has also earned the HPE (high energy performance) label for complying with Effinergie Rénovation 2009 (formerly BBC) standards.

Multiple certifications are also being sought for the other major redevelopment projects currently under review, such as the 33,200 sq.m. Cardinal project in Paris. It was certified compliant with HQE® planning phase standards in 2012 and is currently seeking a BREEAM "Excellent" rating and a LEED "Gold" rating.

At 31 December 2012, SFL owned six buildings certified to environmental quality standards, as follows:

- 103 Grenelle Paris 75007, HQE®-certified for the planning, design and construction phases.
- 92 Champs-Élysées Paris 75008, HQE®-certified for the planning and design phase.
- 112 Wagram Paris 75017, HQE®-certified for the planning, design and construction phases.
- 247 Saint-Honoré Paris 75001, HQE®-certified for the planning, design and construction phases.
- In/Out Boulogne-Billancourt 92100, HQE®-certified for the planning and design phase and seeking BREEAM and LEED certification for the construction phase.
- Cardinal Paris 75002, HQE®-certified for the planning and design phase and seeking BREEAM and LEED certification for the construction phase.

The two major redevelopment projects, In/Out and Cardinal, are engaged in a triple certification process.

2.5 Greenhouse gas emissions

Aware of today's energy and climate issues, SFL is deploying extensive resources and its entire organisation to meet the targets set in France's Grenelle legislation – a 38% reduction in building energy consumption by 2020 and a greenhouse gas emissions target of "Factor 4", i.e. a division of emissions by four by 2050 – while also affirming its European and global leadership in terms of its portfolio's carbon footprint.

Abating and adjusting to climate change represents a major challenge for SFL. In managing our assets, we have to take into account the potential medium-term impact of higher water and energy costs and insurance premiums. While the location of our assets tends to limit the likelihood of their being affected by extreme scenarios, we are proactively managing these risks by improving our buildings' energy efficiency and carbon intensity.

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

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

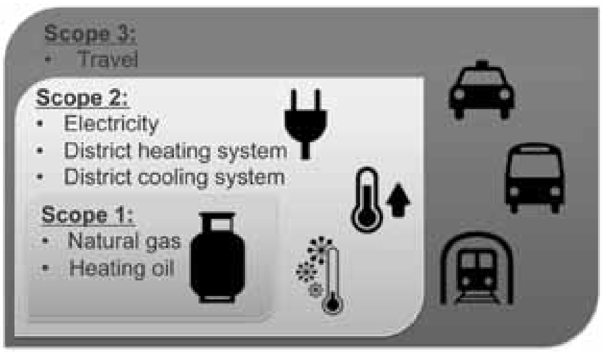
As part of this process, a comprehensive carbon audit was conducted in 2012. Presented below, the audit consisted of assessing the greenhouse gas emissions of:
– Revenue-generating properties, including both common and private areas.
– Renovation and remodelling projects in progress.
– Daily operations at the head office.

The following section describes in detail how these three categories are comprehensively measured and tracked.

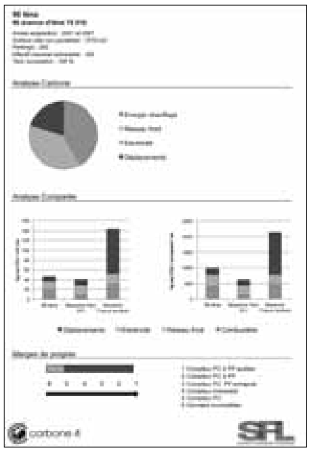
2.5.1 Methodology

The methodology reflects, across the broadest possible spectrum, the fight against climate change and the integration of energy issues into our strategy. In the case of indirect (Scope 1) and direct (Scope 2) emissions, as defined by the Greenhouse Gas (GHG) Protocol, this naturally entails the systematic monitoring of energy used in both the common and the private areas of our buildings.
The methodology also includes work-related travel emissions (Scope 3 – Other indirect emissions), as our buildings cannot be used without the daily commute of the people working there.

Categories of greenhouse gas emissions from an in-use asset



To measure and manage improvements in performance, SFL has deployed, building by building, an analysis programme based on a detailed, structured and transparent methodology corresponding to Version 7.1 of the Bilan Carbone® carbon audit method developed by France's French Environment and Energy Management Agency (ADEME). The findings have been used to create a "Carbon ID Card" for each asset, which makes it possible to gauge the quality of key reported data and to keep our clients informed about the asset's performance relative to market standards.



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

This methodology has three major strengths:
– It highlights pathways to improvement that allow us to commit to energy and water use reduction targets. To enhance this process, an energy audit is now being performed for all buildings in the 2012 scope of reporting.
– It has enabled the creation of an internal database to identify and apply best practices for reducing energy and water use.
– It is also immediately applicable to each new property added to the portfolio.

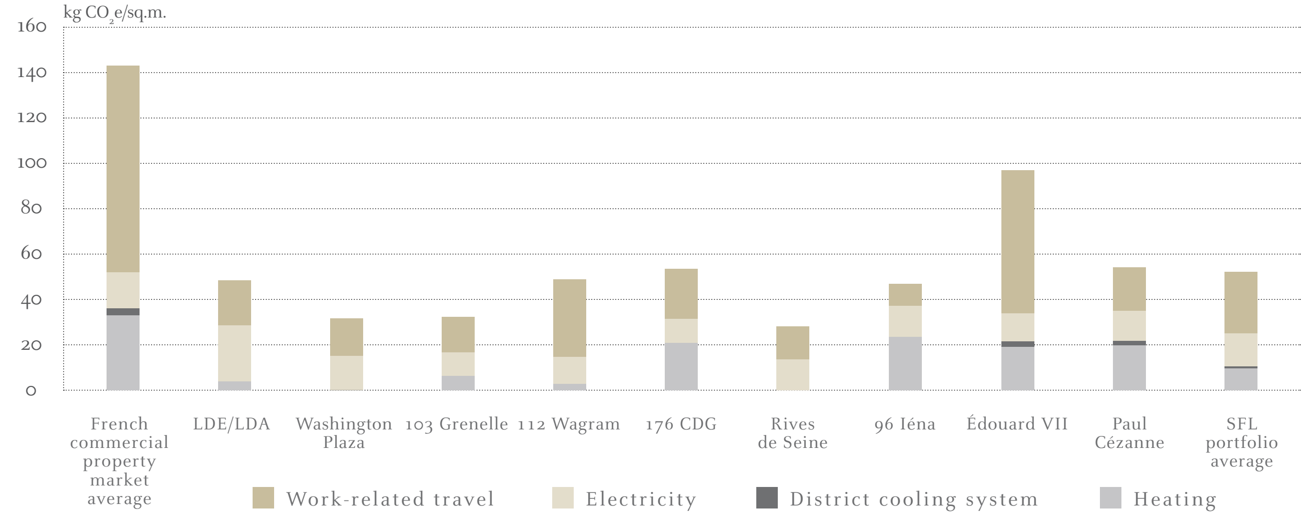
2.5.2 Carbon audits of properties in use

In 2012, a thorough carbon audit was performed on the nine buildings in the scope of reporting. Work-related travel emissions (Scope 3) data were compiled based on a survey of all our clients.

The findings confirmed that SFL's assets offer the world's smallest carbon footprint, with average emissions of **25 kg CO_2e/sq.m./year**, excluding work-related travel, and of 52 kg CO_2e/sq.m./year including work-related travel, compared with an average for the French market of around 51 kg CO_2e/sq.m./year excluding work-related travel (Source: ADEME) and a US average that is nearly six times higher excluding work-related travel (Source: University of Strathcylde).

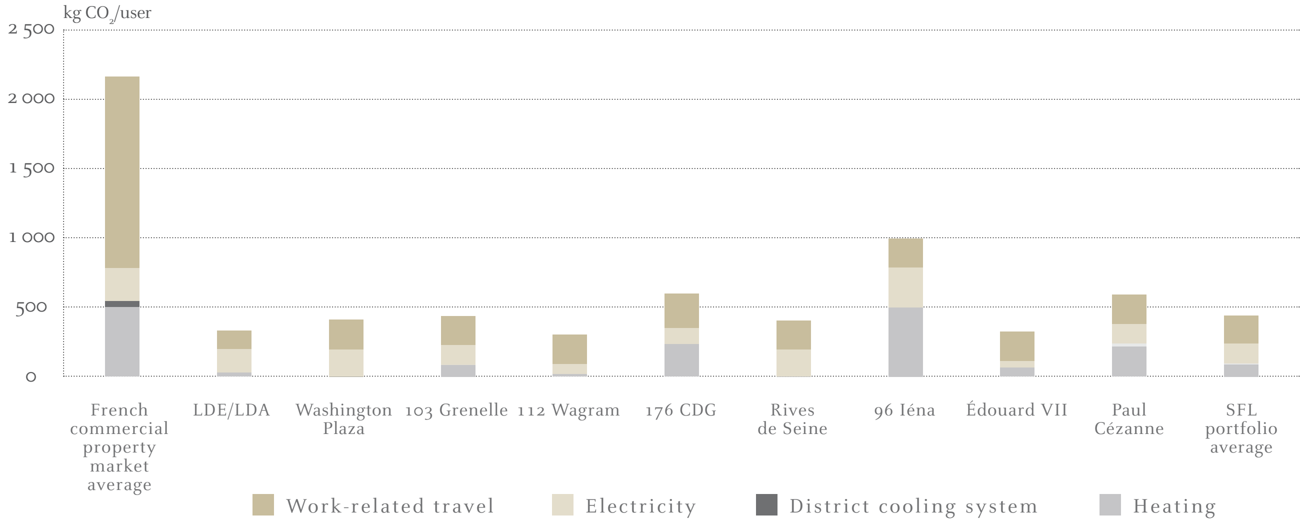
The chart below presents comparative data on each asset alongside data for the French commercial property market. SFL's assets clearly perform very well compared with the national average.

Carbon emissions per square metre



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

Carbon emissions per user



2.5.3 Carbon audits of assets under major renovation

Carbon audits are systematically performed on buildings undergoing heavy renovation in order to measure, as early as possible, the project's impact on corporate greenhouse gas emissions, make any positive adjustments and select the right option to minimise the carbon payback period.

Renovation and refurbishment projects inevitably generate greenhouse gas emissions, mainly due to structural work, the replacement of utilities and the use of materials. However, these emissions will ultimately be offset because once the project is completed, the building will be more energy efficient. After a few years, the emissions avoided by the more efficient operation will offset the carbon "spent" in remodelling.

Example of a successful renovation project

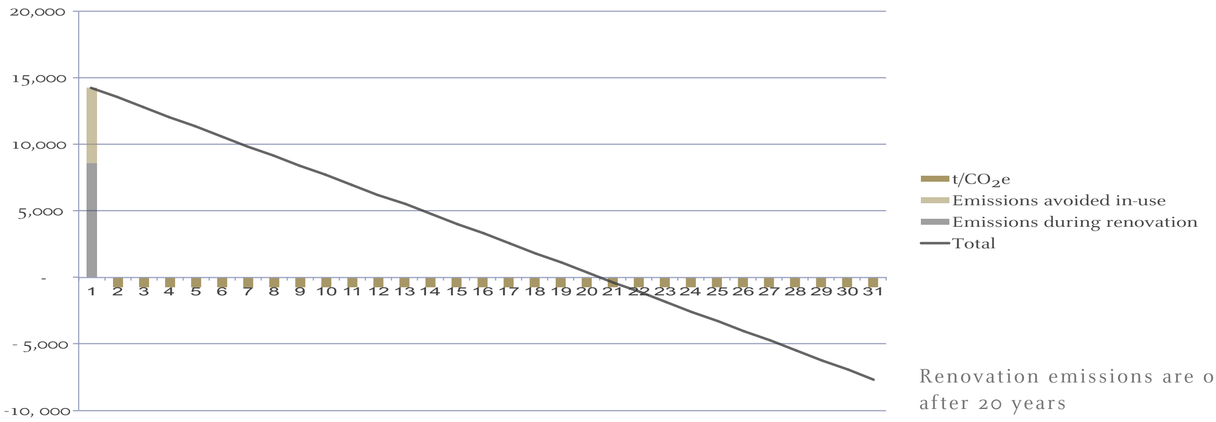
A greenhouse gas emissions audit was performed on the In/Out project in Boulogne-Billancourt during the design phase, taking into account the travel-related emissions of its future occupants, based on French government statistics. It therefore covered all of the project's Scope 1, Scope 2 and Scope 3 emissions.

This innovative approach demonstrated the effectiveness of upstream planning decisions and the carbon performance of a renovation project compared with a new construction.

The audit covered both the construction and in-use performance of the building, including work-related travel data.

It supported our decision to undertake major renovation works on the asset, which are expected to avoid the release of 23 kg CO_2e/sq.m./year once the building is in use.

Carbon payback on a renovation project

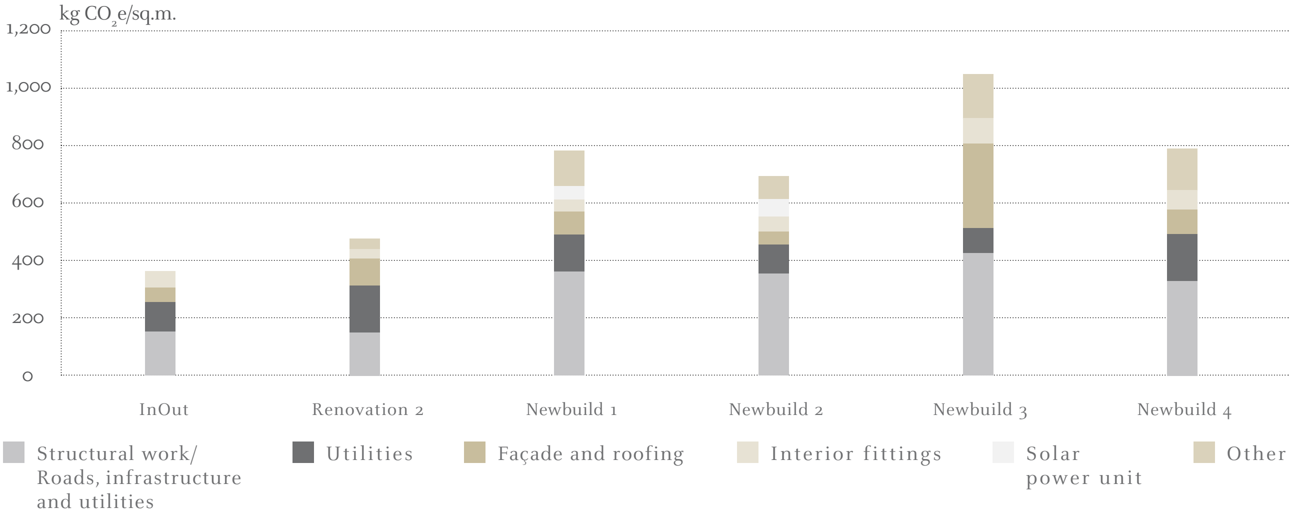


Renovation emissions are offset after 20 years

A comparison between the carbon performance of the In/Out project and other similar renovation or newbuild projects shows that our approach effectively optimises the environmental impact of major projects.

In 2013, the same analysis process will be applied to the project to renovate the 33,000 sq.m. Cardinal building in Paris, with a view to maximising its carbon performance.

Carbon emissions by type of project

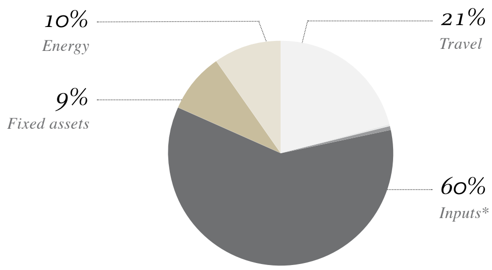


2.5.4 Head office carbon audit

The carbon footprint of SFL's head office has also been analysed, in all three scopes. For Scope 3, the Risks & Environment Department gathered commuting and business travel data by surveying the entire workforce as well as visitors.

In all, the head office carbon footprint amounted to **5.6 t CO_2e/employee/year**, or half the per-employee average for the French commercial property market (according to government statistics and ADEME).

Head office carbon footprint by emissions source



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

2.6 Ozone-depleting substances

SFL took early action to eliminate HCFC-22 (R-22) and other potentially ozone-depleting coolants from its air conditioning systems. To date, R-22 has been phased out across 95% of the property portfolio. The only cooling unit still using the chemical (about 130 kg) will be retrofitted in 2013 to meet our zero-R22 target. The rest of the air conditioning units in the portfolio run exclusively on R134a, R407c, R410a and R422D – representing a total of 3,030 kg – or rely on the Climespace district cooling system.

2.7 Biodiversity

SFL's traditional strategy of maintaining a portfolio exclusively comprised of prime properties within Paris proper, is helping to preserve biodiversity by attenuating urban sprawl. To enhance this aspect, in 2011 we decided to incorporate biodiversity into our sustainable development process.

A variety of initiatives were launched in 2012 to demonstrate this commitment, in particular by:

- Installing living roofs and walls whenever possible under applicable regulations and technical conditions.
- Specifying the use of wood from sustainably managed forests and initiating a policy of specifying construction and design materials that have less of an impact on biodiversity, such as recycled products, bio-sourced materials and materials that can be easily recycled and/or integrated into circular economy systems.
- Maintaining existing structures to the extent possible during renovation projects.
- Using materials that can be easily recycled and/or integrated into circular economy systems.

In addition, a holistic process was undertaken in 2012 to assess the direct and indirect impacts of our operations on biodiversity, with corrective actions to effectively attenuate them scheduled for implementation in 2013. These impacts were analysed according to Global Reporting Initiative (GRI) EN11/13/15 and 25 criteria, and supported by a strategic analysis of EN12 and EN14 indicators.

Biodiversity challenges associated with our sites include:

- Direct impacts limited to common plant and animal species and the sustainability of urban habitats.
- Indirect impacts from sourced materials and products, whose manufacture may raise biodiversity issues.

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

Effective measures undertaken in the portfolio to support biodiversity

SFL is contributing to Paris's "green corridor" of discontinuous green patches that help wildlife circulate among the larger city parks. For example, the entire surface of the 1,000 square-metre roof terrace of the Champs-Elysées shopping arcade in the 8^{th} *arrondissement* has been planted with a variety of bushes and other perennials.

As well, the Ozone building at 92 Champs-Élysées, also in the 8th *arrondissement*, was fitted in 2012 with a nearly 140 square-metre Végétalis® living wall comprising 3,360 non-allergenic perennials. The plants were chosen for their tolerance to continental Europe's climate conditions.

In 2013, this drive to re-introduce biodiversity in the urban landscape will be extended with In/Out project's roughly 8,000 square metres of open space planted with nearly 120 tree varieties, selected for their non-allergenic properties.

During the year, we also plan to consolidate our biodiversity strategy, guided by the following objectives:

- Increase the ecological potential of our various sites whenever permitted by legislation and land conditions. To this end, we are currently conducting an ecological audit of our main sites.
- Systematically address biodiversity issues in renovation and construction projects.
- Develop a policy of specifying materials and sourced products that reduce our indirect impacts on biodiversity.

To continue enhancing our outdoor sites as part of the biodiversity strategy, clauses prohibiting the use of pesticides in green spaces will be included in every management contract in 2013, well ahead of the recommendations made by the French Environment Ministry under its Ecophyto 2018 Plan.

2.8 Environmental indicators

	GRI 3.1		EPRA	Source/Unit	Scope of reporting	2010	2011	2012	
Environmental									
Energy									
Energy use by source	BASE	EN3	AM03	Heating fuel in kWh	Entire	582,400	551,200	560,000	√
	BASE	EN4	AM01	Power in kWh	Entire	38,597,775	38,485,100	36,991,193	√
			AM02	Urban heating and cooling system in kWh	Entire	19,417,400	15,922,300	17,162,150	√
Energy use intensity		CRE1	IM09	kWh/sq.m./year	Entire	317	279	277	√
			IM10	kWh/user/year	Entire	2,024	1,847	2,036	
Energy saved due to energy efficiency improvements	SUP	EN5		%	Entire	/	/	12%	
Water									
Water use	BASE	EN8	AM06	Cubic metres (cu.m.)	Entire scope	127,414	107,277	133,495	√
Water resources significantly affected by water withdrawal	SUP	EN9		Unit		0	0	0	
Percentage and total volume of water recycled and reused	SUP	EN10		cu.m.		0	0	0	
Water use intensity		CRE2	IM11	cu.m./sq.m./year	Entire	0.7	0.5	0.7	
			IM12	litres/user/day	Entire	20	16	23	
Emissions, effluents and waste									
Greenhouse gas emissions (based on energy used)	BASE	EN16	AM04 AM05	t CO_2e	Entire	5,641	4,741	4,971	√
Building greenhouse gas emissions intensity		CRE3	IM13	kg CO_2e/sq.m./year	Entire	29.5	24	25.2	
			IM14	kg CO_2e / user/year	Entire	188.7	159.4	192	
Greenhouse gas emission intensity of new buildings and major renovation projects		CRE4		t CO_2e/€'000s spent	In/Out 2012	ND	ND	0.51	
Other relevant indirect greenhouse gas emissions by weight	BASE	EN17		t CO_2e (user travel-related emissions)	Entire	ND	ND	5,350	
Total mass of waste by type and disposal method	BASE	EN22	AM07	tonnes/year	Washington Plaza and 96 Iéna	258	243	297	
			AM08	% waste by type (paper/ ordinary industrial waste)	Washington Plaza	41% / 59%	26% / 74%	31% / 69%	
Total number and volume of significant spills	BASE	EN23			Entire	0	0	0	

	GRI 3.1		EPRA	Source/Unit	Scope of reporting	2010	2011	2012	
Transport									
Significant environmental impacts of transporting employees, products and other goods or materials used for the organisation's operations	SUP	EN29		t $CO2_e$/ full-time equivalent employee	SFL workforce	ND	ND	5.6	
Economic									
Subsidies and other significant financial assistance received from government	BASE	EC4		€'000s	Group share	0	0	0	

Covered by France's Grenelle II environmental recommendations.
√ Verified by Deloitte.
ND Not Available.

3. Society

3.1 Stakeholder relations

SFL has identified its stakeholders and included them in the sustainable development process, so as to anticipate their expectations and respond to their concerns, which may vary depending on whether the building is in use or being renovated. Yet our most important stakeholders are our employees, whose actions are governed by a Code of Ethics and Information Systems. It is designed to protect our clients' interests and prevent irregular transactions, at a time of tightening regulations and controls concerning business and financial market activities. It is also helping to build trust in the Company among external partners, such as suppliers, service providers, agents and clients, as well as among employees.

Stakeholders in our buildings in use:
For clients, the main contact point with SFL is our Property Department, which is responsible for coordinating the other departments in responding to client issues and requests. In 2012, we enhanced this dialogue process by inviting clients to participate in newly created client committees to help us to better understand and meet their needs. These committees will remain active in 2013 and, thanks to the green leases, they will provide a forum for discussing the environmental aspects of our clients' business activities. They are intended to become effective round tables for discussion and debate on how to reduce the total environmental footprint of our assets, clients included.

Similarly, meetings are regularly held with the service providers tasked with managing our building utilities, to gauge their quality of service.

Stakeholders in our buildings under renovation:
At the start of any project that we know will have a major impact on a neighbourhood or city, preventive summary proceedings are systematically organised to enable us to meet with stakeholders and explain the resources being deployed to minimise disamenities. Moreover, steps are systematically taken to limit disamenities in compliance with Target 3 of France's HQE® green building management standards, following its "very high performance" criteria. As part of this process, a neighbourhood committee was set up in 2012 on the In/Out project.

Community meetings are therefore held regularly and newsletters distributed. In the project upstream, close relationships are nurtured with the Paris municipal authorities to discuss their respective constraints and find lasting, mutual solutions that limit project planning risks. We systematically meet with Urban Planning, Safety, Labour Inspection and other government agencies in charge of reviewing our permits to explain our projects in detail and present the resources we plan to deploy to minimise risks, overcome constraints and implement solutions that meet their expectations.

In the case of occupied project sites, similar procedures are initiated in advance to inform tenants of our intentions. This is the best way to reassure clients that their concerns are being addressed. Their sole contact at SFL is the head of Property Management.

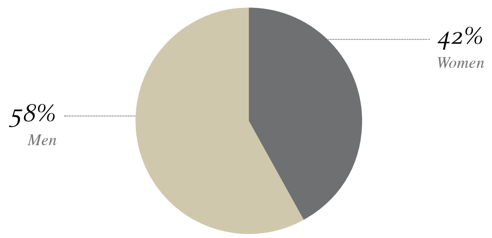
3.2 Client satisfaction and green leases

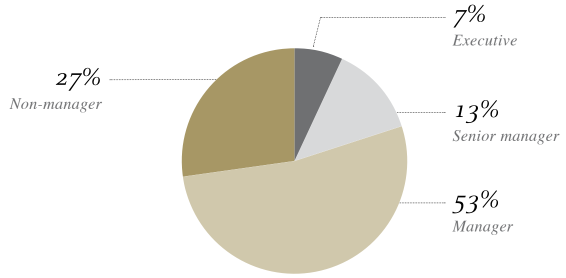
Building client intimacy

Our commitment to understanding clients better so as to offer them superior service and identify avenues for improvement led us to organise a survey in October 2011 to gauge their satisfaction with our properties, based on both the building's intrinsic qualities and extrinsic factors. The survey was carried out in partnership with HEC Junior Consulting.

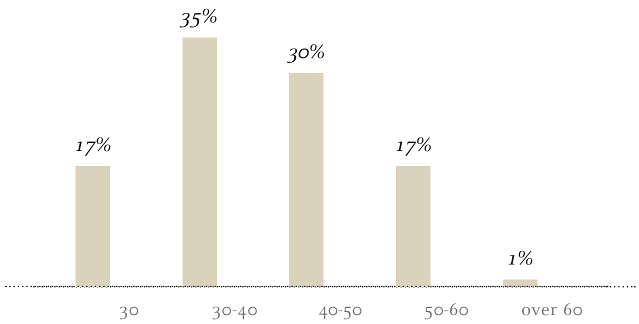
Of the 460 respondents, corresponding to 30 companies and eight buildings, around 80% said they were satisfied or very satisfied with the premises and building in which they worked.

The respondents were very diverse and representative of every corporate level, with a large proportion of managers.

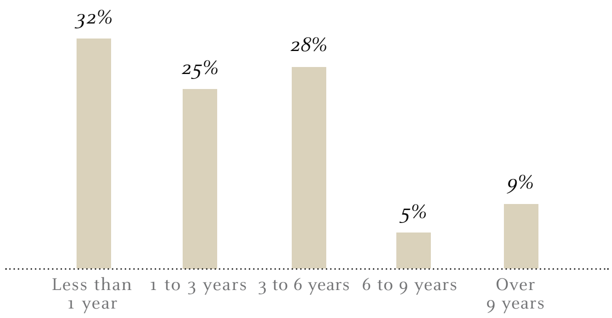




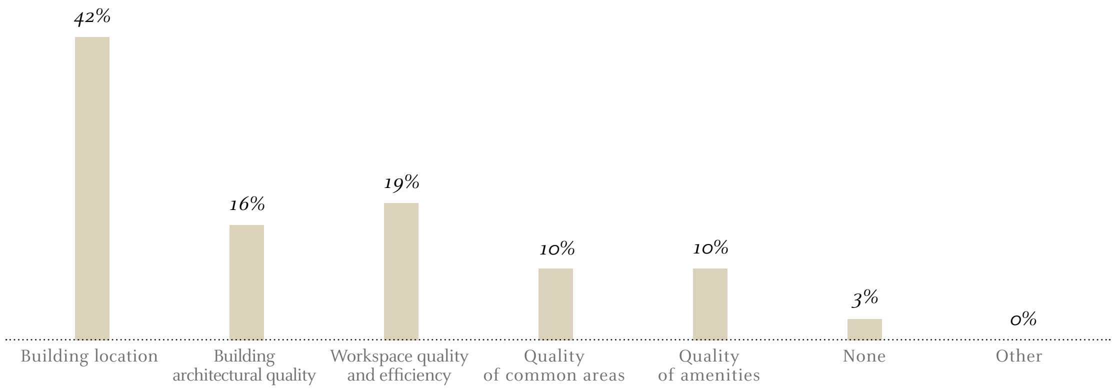
The age pyramid was also fully represented, with the majority of respondents aged 30 to 50.



Some 67% of respondents have worked in their building for more than a year.



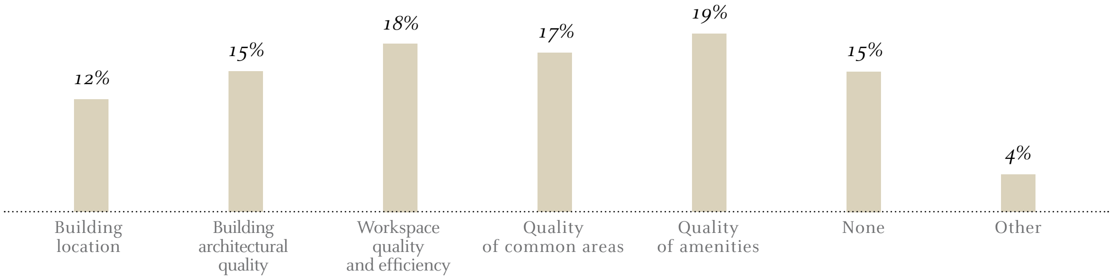
Among the advantages of their workplace, respondents cited location (42%), workspace quality and efficiency (19%), and architectural quality (16%). Areas for improvement may be explored in common area management and user amenities.



For each advantage, respondents were asked to provide further details to enable us to pinpoint the source of satisfaction. Location was mainly appreciated because of its proximity to public transport (for 50% of respondents), its urban setting (36%) and the visibility it offers to the company (13%). Workspaces were appreciated for being bright (31%), functional (27%), comfortable (19%) and pleasant (11%). In terms of architecture, our properties were commended for being well designed (for 47% of respondents), original (25%) and attractive (24%).

Common areas were mainly appreciated for the quality of their maintenance (48%), safety (23%) and design (18%), with their pleasantness being cited as an advantage by just 9% of respondents. Lastly, respondents said that the most appreciated amenities were a company restaurant (45%), a parking garage (32%) and a cafeteria (14%).

Perceptions of building drawbacks were much less clear-cut, with 15% of respondents not mentioning any. However, the main areas for improvement were cited as the quality of amenities (19%) and the efficiency of workspaces (18%).

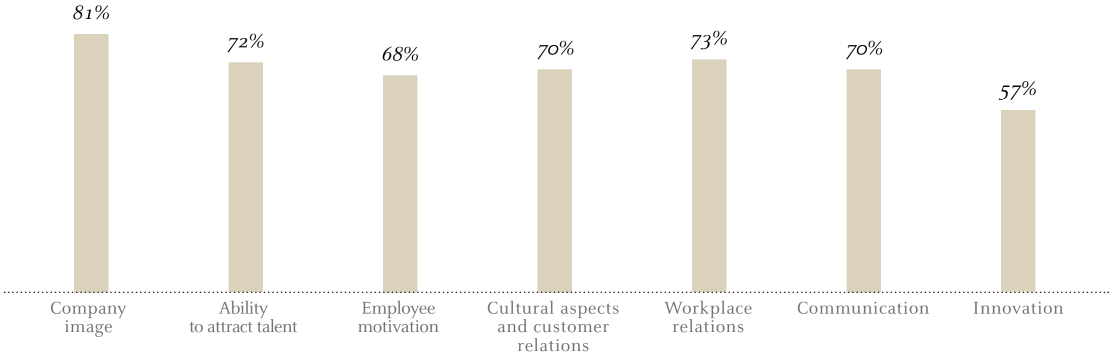


A detailed analysis of these drawbacks points us to possible avenues for improvement.

In terms of amenities, 70% of respondents said that such services were fundamentally important to their workplace satisfaction. 20% regretted the absence of a fitness centre, 14% the absence of a company restaurant, 12% the absence of a terrace and 10% the absence of a child-care facility.

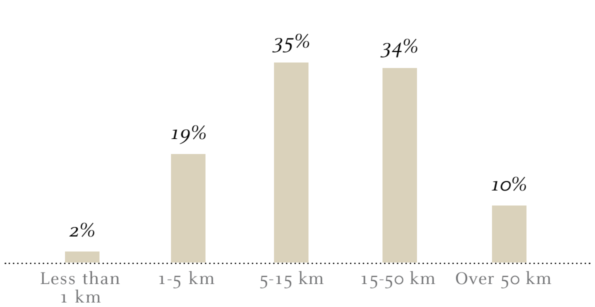
There was very little negative feedback about workspaces. 27% of respondents could cite no drawbacks, 19% noted a lack of brightness and 16% a lack of comfort.

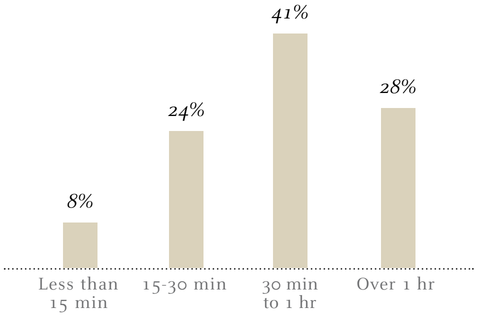
In general, occupants of SFL's buildings said that their offices contributed positively or very positively to:
- Their company's image (81%).
- The ability to attract talent (72%).
- Employee motivation (68%).
- Cultural aspects and customer relations (70%).
- The quality of workplace relations (73%).
- Communication among employees (70%).
- Innovation (57%).



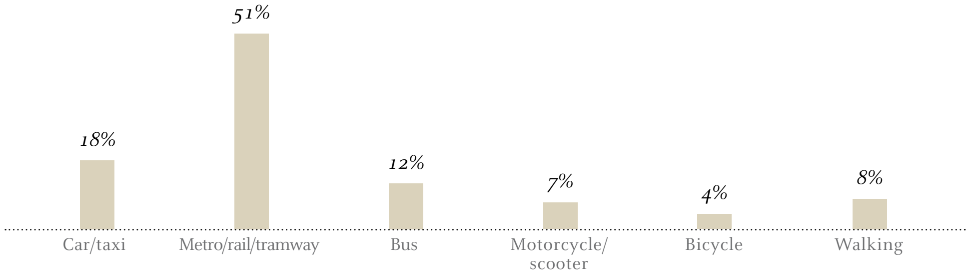
In addition, the survey informed us about the work-related travel habits and expectations of building users, thereby providing additional data for the carbon audits being performed in the scope of reporting.

The most important factor for respondents was the distance between home and work and the time spent commuting. From the survey, we learned that 56% of occupants live less than 15 km from their workplace and over one-third are less than 30 minutes away.

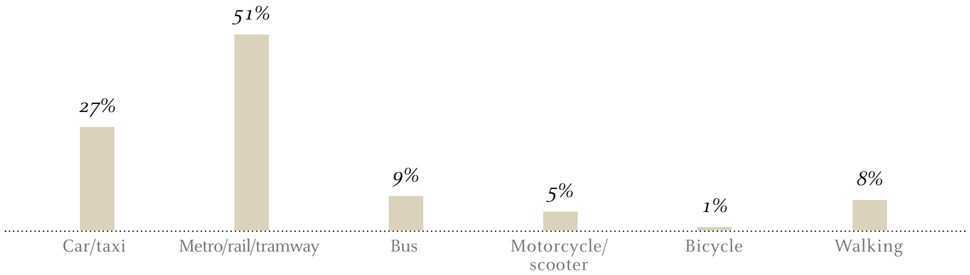




Public transport is by far the most frequently used form of transport, for 63% of respondents.



Similarly, 60% of our users' business travel depends on public transport.



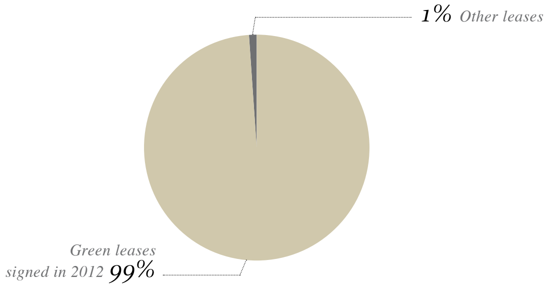
Green leases

To foster client dialogue on environmental issues, SFL properties are now being let under green leases regardless of size, thereby exceeding Grenelle II legislation mandating green leases for any premises exceeding 2,000 sq.m.

Virtually all of the 18 leases signed in 2012, covering more than 37,000 sq.m or around 10% of total portfolio surface area, were green leases.

This commitment is being stepped up in 2013, with the aim of meeting the Grenelle II requirement to convert all existing leases for properties of more than 2,000 sq.m to green leases by July.

SFL property portfolio – Leases signed in 2012



3.3 A commitment to accessibility

Improving access to properties for people with reduced mobility

In line with our commitment to improving access to our properties for people with reduced mobility, this objective has been included in the specifications for every redevelopment project.

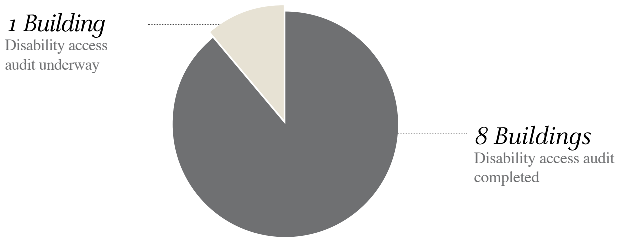
Accessibility facts and figures:
53% of buildings in use are accessible by people with reduced mobility.
100% of the buildings undergoing redevelopment or in the design phase will be accessible within two years.

By 2014, properties representing around 75% of the portfolio will be accessible for people with temporary or permanent reduced mobility.

Action in favour of other disabilities

In addition to making buildings accessible for people with reduced mobility, we also want to offer exemplary services for people with other disabilities. In 2012, all of our buildings were audited to analyse possible pathways to improvement.

Disability access in the nine buildings in the scope of reporting



Improvement works based on the audit findings have been planned and scheduled until 2014.

In particular, special equipment, such as flashing sirens, elevator cabins with visual and audio information systems, braille call buttons, and contrast strips and tactile ground surface indicators in front of staircases, will be installed to enable people with disabilities to safely navigate the building.

This policy of building in solutions that facilitate life at work for people with disabilities is being showcased by the Washington Plaza remodelling project, which integrated them from the planning and design phase.

3.4 Architecture and culture

Architecture and design form an important part of our strategy. Indeed, this cultural dimension is a core aspect of most of our projects, whether such flagship developments as In/Out in Boulogne-Billancourt and Cardinal in Paris, or smaller projects such as Washington Plaza, the art nouveau building on rue de Hanovre or the Louvre des Antiquaires. For SFL, these projects' visual and cultural impact is as important for their future success as other attributes more directly linked to the property market.

These practices are essential to dealing with companies – leaders in their respective areas – that expect offices and amenities that reflect a high level of professional excellence on the part of the property company.

In 2011, we launched a recurring art event, "Mémoires Contemporaines", with the goal of quickly enhancing SFL's reputation for cultural awareness. In its first year, the event helped to draw attention to an exceptional site, the former head office of Thomson Multimedia in Boulogne-Billancourt. This was before the In/Out building became the standard bearer for our new ambition. The event was also designed to surprise the market with a more creative, innovative, offbeat image and forge different ties with our clients, stakeholders and the public during a number of open house days. Among those who came to see Norwegian artist Per Barclay's Oil Room, and French artist Alain Bublex's Phantom Pavilion, only a handful were art specialists or regular gallery goers, but all were struck by the unique artistic experience and its impact.

In the same spirit, last year's "Mémoires Contemporaines 2" at the Edouard VII complex, which featured three colourful works by Franco-Swiss artist Felice Varini, was a resounding success with clients, the media and the public, who could view the outdoor installation at any time.

With each event, we have tried to emphasise a theme that is important to our clients – a topic relevant to companies that speaks to management's sensibilities. With Per Barclay and Alain Bublex on the In/Out project, we worked with the theme of "transformation", the need for companies to constantly reinvent themselves to adapt to change and remain competitive. With Felice Varini, we focused on "perspective". On the one hand, the artist's perspective, which can bring perfect order to a chaotic mass of lines and shapes, and on the other, the perspective of a business leader who has to give direction to a company, define a vision of the world and the market, and share it with employees and partners.

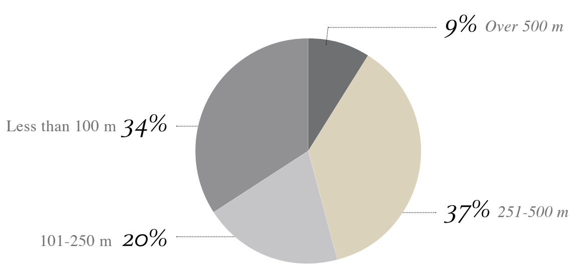
In both cases, we demonstrated our deep commitment to quality and culture by selecting internationally renowned artists and artwork that showcased the site, blending worlds that are usually kept separate and making our properties more soulful.

In addition, at year-end, a magnificent book was published for all of our clients and partners, capturing the exceptional memories we shared with them.

3.5 Buildings close to public transport

SFL has always chosen to invest in properties within convenient reach of public transport. This strategy, in place even before sustainable development become a major issue, has resulted in a particularly low user travel-related carbon footprint. Today, most properties in the portfolio are within 250 metres of public transport, with metro or bus stations at the foot of the building in many cases.

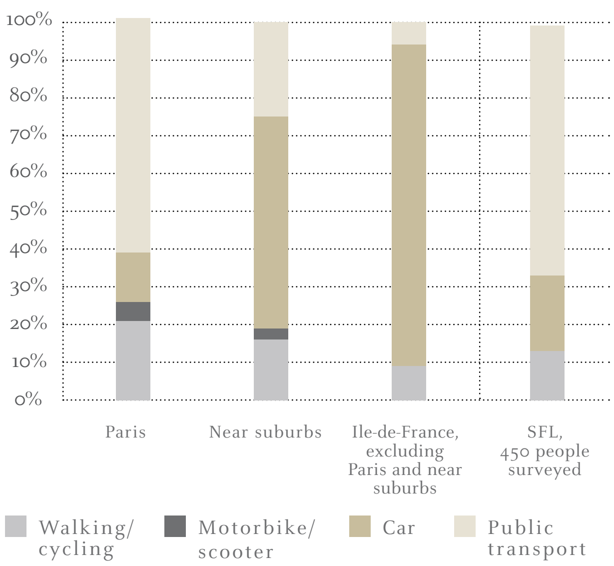
Proximity to public transport



% of the portfolio by surface area

Because it helps to limit user reliance on other modes, proximity to public transport is one of the key factors considered when exploring an acquisition opportunity.

Means of commuting depending on office location (ENTD 2008 Insee data)



3.6 Responsible purchasing

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

Corporate vehicle fleet

Any replacements or additions to the current 10-car fleet will run on petrol rather than diesel, to eliminate ultrafine exhaust particulates. In 2012, the first vehicle was replaced in line with this policy.

Paper

Paper weight has been reduced from 90 to 80 g/sq.m and documents are now only printed on paper sourced from FSC or PEFC sustainably managed forests. Printers have also been programmed for black and white duplex printing on recycled paper, whose production requires three times less energy and water than conventional paper. In addition, using recycled paper saves trees and fights against deforestation, while avoiding the release of 300 kg CO_2e per tonne used. Reflecting this policy, the percentage of recycled paper in the total used increased by 3.42% compared with 2011, the reference year.

Correspondence

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

Cafeteria consumables and responsible coffee drinking

All of the plastic cups in the cafeteria have been replaced by recycled paper cups, at an additional cost of two euro cents per cup.

Suppliers and contractors

SFL upholds the eight core conventions of the International Labour Organisation (ILO) on fundamental human rights at work.

In commissioning work performed to increase the value of its portfolio assets, SFL gives priority to companies and contractors based in the greater Paris region. The tenders signed with them provide contractual assurance of verifiable compliance with our standards.

As a rule, the number of levels in the sub-contracting pyramid is limited to guarantee the administrative traceability of all participants.

3.7 Voluntary participation in industry-driven analyses

In 2012, SFL signed up to participate for the first time in the sustainability performance survey conducted by Global Real Estate Sustainability Benchmark (GRESB), an organisation committed to assessing the sustainability performance of public and private real estate portfolios around the globe.

Compared with the panel of 60 peer property companies across Europe, SFL ranked 18th with a total score of 49%, of which 67% for management and policy and 41% for implementation and measurement.

3.8 Managing health and safety risks

At SFL, we strive to anticipate and manage risks effectively. Health and safety issues are addressed according to a formal charter as well as a variety of internal procedures.

To closely track these matters, we have deployed a variety of rigorous resources shaped by a thorough understanding of our property portfolio and compliance obligations. Employees are continuously trained and informed of the latest regulations, and internal procedures are updated as necessary.

Main resources

Health and safety charter

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

Compliance monitoring

In 2012, the compliance monitoring system was revamped with the installation of AMADEO, a customised application designed by Bureau Veritas that effectively complements the Environmental Safety/Sustainable Development Scorecard developed in partnership with that organisation (see below).

The Risks & Environment Department regularly informs the operating departments (Projects and Operations) of any regulatory changes and ensures that the related procedures are applied in buildings both in use and undergoing redevelopment. For each one, the operating departments provide Risks & Environment with all the necessary information for the administrative monitoring of regulatory issues.

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

The Environmental Safety/ Sustainable Development Scorecard

In 2011, the Risks & Environment Department launched a project to develop a software application with Bureau Veritas to clearly define its technical assets and improve the monitoring and management of health and safety risk issues associated with our properties. The resulting Environmental Safety/ Sustainable Development Scorecard will be deployed as from the first quarter of 2013 across the entire portfolio.

The Scorecard makes it possible to monitor, on a daily basis, any observations issued during compliance inspections and to verify that they have been properly noted by the building management company. It also keeps track of annual inspection dates across the portfolio to prevent any failure to meet regulatory deadlines.

In addition to developing the Scorecard, in 2012 we issued a tender to select a single inspection firm to verify compliance of our building utilities, with the goal of facilitating database updates.

In line with our strategy, we took an innovative approach to the tender by making one of the criteria for selection the carbon impact of inspector travel among the sites. The contract will go to the firm that proposes the smallest footprint and annually updates its carbon emissions data.

4. 3 Index of reporting guidelines

French Commercial Code (art 225 of the Grenelle 2 Act)

GRI/CRESS

Iso 26000

In 2012, SFL had the reliability of the reporting checked by an external auditor (Deloitte), and achieved an application level B+ for the GRI 3.1 guidelines.

GRI 3.1 application level	C	C+	B	B+	A	A+
Self reporting				√		

Index of reporting guidelines

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
1 - Strategy and analysis		Sections		
Statement from the most senior decision maker of the organisation.	1.1		6.2	44
Description of key impacts, risks and opportunities.	1.2			24 to 31
Organisational profile				
Name of the organisation.	2.1		7.6	03
Primary brands, products and/or services.	2.2			05
Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	2.3			10 ; 11 44 ; 45
Location of organisation's headquarters.	2.4			54
Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	2.5			05
Nature of ownership and legal form.	2.6			10
Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2.7			05 06
Scale of the reporting organisation (number of employees, net sales, total capitalisation, number of operations).	2.8			07 ; 50 ; 52
Significant changes during the reporting period regarding size, structure or ownership.	2.9			10
Awards received in the reporting period.	2.10			70
3 - Report parameters				
Reporting period for information provided.	3.1			44
Date of first report published.	3.2			44
Reporting cycle (annual, biennial)	3.3			59
Contact point for questions regarding the report or its contents.	3.4		6.6.6 7.5.3 7.6	12 ; 45 ; 201
Process for defining report content (determining materiality, prioritising topics within the report, and identifying stakeholders the organisation expects to use the report).	3.5			53 to 55
Boundary of the report.	3.6			
State any specific limitations on the scope or boundary of the report.	3.7			
Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period.	3.8			10 11
Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indictors and other information in the report.	3.9			53 to 55
Explanation of the effects of any restatement of information provided in earlier reports and the reasons for such restatements.	3.10			
Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	3.11			
Table identifying the location of the Standard Disclosures in the report.	3.12			72 to 79
Policy and current practice with regard to seeking external assurance for the report.	3.13			80 ; 81

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
4 – Governance, commitments, and engagement				
Governance structure of the organisation, including committees responsible for specific tasks such as setting strategy.	4.1			44 ; 45 ; 95 ; 96
Indicate whether the Chair of the highest governance body is also an executive officer.	4.2			87 to 89
For organisations that have a unitary board structure, state the number of members that are independent and/or non-executive members.	4.3			87 to 89
Mechanisms for shareholders and employees to make recommendations or give direction to the highest governing body.	4.4			97 to 101
Linkage between compensation for members of the highest governing body, senior managers and executives and the organisation’s performance (including social and environmental performance).	4.5			
Processes in place for the highest governance body to ensure conflicts of interest are avoided.	4.6			
Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy.	4.7			
Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance, and the status of their implementation.	4.8			54 ; 63 ; 64
Procedures of the highest governance body for overseeing the organisation’s identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles. Include frequency with which the highest governance body assesses sustainability performance.	4.9			98 99
Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental and social performance.	4.10			
Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	4.11		6.8.9	54
Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	4.12		6.8.9	37 ; 63 ; 70 ; 101 ; 102
Memberships in associations or national/international advocacy organisations.	4.13		6.8.9	50 ; 51
List of stakeholder groups engaged by the organisation.	4.14		5.3.3	64 ; 65
Basis for identification and selection of stakeholders with whom to engage.	4.15			
Approaches to stakeholder engagement including frequency of engagement by type and by stakeholder group.	4.16			
Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	4.17			

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
Economy				
Disclosure on management approach			6.2 6.8	06 to 08
Economic performance				
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments, to capital providers and governments.	EC1	section 32	6.8 6.8.3 6.8.7 6.8.9 6.5.5 6.4.4	24 to 31 54 59
Financial implications and other risks and opportunities for the organisation's activities due to climate change.	EC2			59 63 ; 64
Coverage of the organisation's defined benefit plan obligations.	EC3			63
Significant financial assistance received from the government.	EC4			
Market presence				
Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	EC5		6.4.4 6.8 6.6 6.8.5	48 to 50
Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	EC6			
Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	EC7			
Indirect economic impacts				
Development and impact of infrastructure investments and services provided primarily for public benefit, through commercial, in-kind or pro-bono engagement.	EC8	section 20	6.8.5	
Understanding and describing significant indirect economic impacts, including the extent of impacts.	EC9			
Environment				
Disclosure on management approach			6.2 6.5	54
Energy				
Direct energy consumption by primary energy source.	EN3	section 29	6.5.4 6.4.5	56 ; 57 63 ; 64
Indirect energy consumption by primary source.	EN4			
Building energy intensity.	CRE1			
Energy saved due to conservation and efficiency improvements.	EN5			
Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	EN6			
Initiatives to reduce indirect energy consumption and reductions achieved.	EN7			
Water				
Total water withdrawal by source.	EN8	section 27	6.5.4	56
Building water intensity.	CRE2			

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
Biodiversity Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	EN11	section 33	6.5.6	62
Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	EN12			
Habitats protected or restored.	EN13			
Strategies, current actions, and future plans for managing impacts on biodiversity.	EN14			
Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	EN15			
Emissions, effluents and waste Total direct and indirect greenhouse gas emissions by weight.	EN16	sections 24 ; 25 ; 31	6.5.3 6.5.4 6.5.5	57 to 61
Greenhouse gas intensity from buildings.	CRE3			
Greenhouse gas emissions intensity from construction and redevelopment activity.	CRE4			
Other relevant indirect greenhouse gas emissions by weight.	EN17			
Initiatives to reduce greenhouse gas emissions and reductions achieved.	EN18			
Emissions of ozone depleting substances by weight.	EN19			63 ; 64
Total weight of waste by type and disposal method.	EN22			
Total number and volume of significant spills.	EN23			
Products and services Initiatives to mitigate environmental impacts of products and services, and extend the impact of mitigation.	EN26	sections 20 ; 24 ; 38 ; 41	6.5 6.5.4 6.6.6	56 to 62
Compliance Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	EN28	section 23	6.5.1 6.5.2	
Transport Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce.	EN29	sections 20 ; 24	6.5 6.5.4 6.6.6	69
Overall Total environmental protection expenditures and investments by type.	EN30	section 23	6.5	

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
Human rights				
Disclosure on management approach			6.2 6.3	48
Investment and procurement practices Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	HR1	sections 39 ; 42	6.3 6.3.5 6.6.6	69
Percentage of suppliers, contractors and other business partners that have undergone human rights screening, and action taken.	HR2			
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	HR3			
Non-discrimination.	HR4	15 ; 17 ; 42	6.3.10	50
Freedom of association and collective bargaining.	HR5	16		51
Child labour.	HR6	19		69
Forced and compulsory labour.	HR7	18		
Security practices.	HR8		6.3.5 6.4.3 6.6.6	51
Total number of incidents of violations involving rights of indigenous people and actions taken.	HR9	section 35	6.3.7 6.3	
Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	HR10	section 42		
Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	HR11			

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
Labour practices and decent work				
Disclosure on management approach			6.2 6.4	48
Employment				
Total workforce by employment type, employment contract and region.	LA1	sections 1 ; 2 ; 3	6.4.4	52 ; 53
Total number and rate of new workforce hires and employee turnover by age group, gender and region.	LA2			
Benefits provided to full time employees that are not provided to temporary or part-time employees, by significant locations of operation.	LA3			
Return to work and retention rates after parental leave, by gender.	LA15			
Labour/management relations				
Percentage of employees covered by collective bargaining agreements.	LA4	section 6	6.4.3 6.4.5	50 ; 52
Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	LA5			
Occupational health and safety				
Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	LA6	sections 5 ; 6 ; 9 ; 10	6.4.6	51 to 53
Rates of injury, occupational diseases, lost days and absenteeism, and total number of work related fatalities by region and by gender.	LA7			
Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system.	CRE5			
Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members, regarding serious diseases.	LA8			
Health and safety topics covered in formal agreements with trade unions.	LA9			
Training and education				
Average hours of training per year per employee by gender and by employee category.	LA10	sections 11 ; 12	6.4.7	51 to 53
Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	LA11			
Percentage of employees receiving regular performance and career development reviews.	LA12			
Diversity and equal opportunity				
Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	LA13	sections 13 ; 14	6.3.10 6.4 6.4.3	50 to 52
Equal remuneration for women and men				
Ratio of basic salary and remuneration of women to men by employee category.	LA14	section 13	6.3.10 6.4 6.4.3	

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
Product responsibility				
Disclosure on management approach			6.2 6.6 6.7	48 ; 54
Customer health and safety Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	PR1	section 20	6.7.4	64 69
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	PR2			
Product and service labelling Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	PR3	section 20	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.8 6.7.9	
Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment.	CRE6			
Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	PR4			
Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	PR5			
Marketing communications Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	PR6		6.7 6.7.3 6.7.6 6.7.9	
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	PR7			
Customer privacy Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	PR8		6.7 6.7.7	53
Compliance Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	PR9		6.7 6.7.6	

GRI 3.1 index of contents	GRI G3.1	Grenelle II	ISO 26000	Page of the Financial and Legal Report
Society				
Disclosure on management approach			6.2 6.6 6.8	64
Local communities Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	SO1	sections 34 ; 36 ; 40	6.3.9 6.6.7 6.8 6.8.5 6.8.7	53 ; 64
Operations with significant potential or actual negative and positive impacts on local communities.	SO9			
Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	SO10			
Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project.	CRE7			
Corruption Percentage and total number of business units analysed for risks related to corruption.	SO2	section 40	6.6 6.6.3	64
Percentage of employees trained in organisation's anti-corruption policies and procedures.	SO3			
Actions taken in response to incidents of corruption.	SO4			
Public policy Public policy positions and participation in public policy development and lobbying.	SO5		6.6 6.6.4 6.8.3	53
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	SO6			
Anti-competitive behaviour Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	SO7		6.6.3	53
Compliance Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	SO8	section 23	6.6.3	53

GRI (Global Reporting Initiative): GRI 3.1 and CRESS (Construction and Real Estate Sector Supplement) indicator protocols.
ISO 26000: international standard; guidelines concerning the social responsibility of organisations.
Grenelle II: article 225 of the law for national environmental commitment and its application decree of 24 April 2012.

Statutory Auditors' statement of completeness and limited assurance report on selected social, environmental and societal information
Year ended 31 December 2012

To the Chief Executive Officer,

Further to your request and in our capacity as Statutory Auditors of Société Foncière Lyonnaise, we present below our statement of completeness on the consolidated social, environmental and societal information presented in the Management Report for the year ended 31 December 2012 in accordance with Article L.225-102-1 of the French Commercial Code (*Code de Commerce*) and our limited assurance report on selected information identified by the (✓) symbol.

Responsibility of the Company

The Board of Directors is responsible for preparing a management report containing the consolidated social, environmental and societal information provided for in Article R.225-105-1 of the French Commercial Code ("the Information") compiled in accordance with the guidelines used by the Company ("the Guidelines"). These Guidelines are available on request from the Managing Director and are summarized in part 6 of the 2012 Group Management Report.

Independence and quality control

Our independence is defined by regulatory texts, our professional code of ethics and the provisions of Article L.822-11 of the French Commercial Code. We have also set up a quality control system based on documented policies and procedures to ensure compliance with ethical standards, the standards of our profession and the applicable laws and regulations.

Responsibility of the Statutory Auditors

Our responsibility, on the basis of our procedures, is to:

- Certify that the required Information is presented in the Management Report or, if any information is not presented, that the reasons for the omission are explained, as required by Article R.225-105-3 of the French Commercial Code and Decree no. 2012-557 of 24 April 2012 (Statement of Completeness).
- Provide limited assurance that certain information selected by the Company and identified by the symbol (✓) in part 6 of the 2012 Management Report ("the Data") is presented in all material respects in accordance with the Guidelines (Limited Assurance Report).

We were assisted in our work by our corporate social and environmental responsibility specialists.

1. Statement of completeness

Our procedures, which were performed in accordance with the professional standards applicable in France, consisted of:

- Comparing the Information presented in the Management Report with the list contained in Article R.225-105-1 of the French Commercial Code.
- Checking that the Information covered the scope of consolidation, i.e. the Company, its subsidiaries and controlled entities within the meaning of Articles L.233-1 and L.233-3 of the French Commercial Code, with the restrictions specified in the "Methodology" section of part 6 of the Management Report.
- For any consolidated information not disclosed in the Management Report, checking that the explanations of the omissions complied with the requirements of Decree no.2012-557 dated 24 April 2012.

Based on our procedures, we certify that the required Information is presented in the Management Report.

(1) Social indicators: breakdown of total employee numbers by type of contract (fixed-term/permanent), gender, category, age group and location; breakdown of new hires by type of contract, gender, category, age group; number of terminations by reason; number of reported and recognised lost-time workplace accidents; number of reported and recognised lost-time commuting accidents; number of working days lost as a result of workplace accidents; number of working days lost as a result of commuting accidents; frequency rate; severity rate; number of reported and recognised occupational illnesses; total number of training hours.

Environmental indicators: water use; energy use by source (electricity, heating-oil, urban heating and cooling system); energy intensity; CO_2 emissions (from energy use).

Societal indicators: Neighbourhood committee set up in connection with the In/Out project in 2012.

2012 Management Report self-assessed as corresponding to Level B+ application of Global Reporting Initiative G.31 standards and the Construction and Real Estate Sector (CRESS) supplement.

2. Limited assurance report on selected social, environmental and societal information identified by the (✓) symbol

Nature and scope of our procedures

We performed our procedures in accordance with the International Standard on Assurance Engagements ISAE 3000 and with the professional standards applicable in France.

These limited procedures, as described below, were performed in order to obtain limited assurance that the Data selected by the Company and identified by the (✓) symbol, do not contain any material misstatements that would affect their compliance, in all material respects, with the Guidelines. A higher level of assurance would have required us to carry out more extensive procedures.

Our procedures were as follows:

- We assessed the appropriateness of the Guidelines, in terms of their relevance, completeness, neutrality, clarity and reliability, taking into account industry good practice where available.
- We verified the implementation within the Group of a data reporting, compilation, processing and control process designed to ensure that the selected Information was complete and prepared on a consistent basis. We also reviewed the internal control and risk management procedures covering the preparation of the Data, and made inquiries of the persons responsible for social and environmental reporting processes.
- Concerning the Data selected by the Company:
  - At the level of the Company and the controlled entities, we performed analytical procedures and used sampling techniques to check the calculation and consolidation of the Data.
  - For entities [2] that we selected on the basis of their business, their contribution to consolidated indicators, their location and an analysis of risks, we:
    - Made inquiries of concerned persons to check that the procedures had been properly applied and to obtain information on which to base our procedures.
    - Performed detailed tests using sampling techniques, by checking the calculations and reconciling the data to the supporting documents.

Conclusion

Based on our procedures, no material misstatements came to light that would affect the compliance of the Data selected by the Company and identified by the (✓) symbol in part 6 of the 2012 Management Report, in all material respects, with the Guidelines.

(2) Social data: France (the Company and Locaparis): covering 100% of Group employees. Detailed tests performed on 100% of accident data and 19.6% of training data.
Environmental data: three properties (LDE/LDA, Washington Plaza and Rives de Seine), corresponding to 37.3% of energy use.

Neuilly-sur-Seine, 20 March 2013
The Statutory Auditors
Deloitte & Associés

Éric Dugelay
Partner in charge of the Social and Environmental Responsibility Pratice

Christophe POSTEL-VINAY

7. Appendices

Appendix 7.1 – Board of Directors' Special report to the Annual General Meeting of 18 April 2013 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 2012.

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

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

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

4) No stock options were granted in 2012 by SFL or any related companies to any employees of the Company other than the Chief Executive Officer or the Managing Director.

5) No employees of the Company other than the Chief Executive Officer or the Managing Director exercised any options on shares in the companies mentioned in 1) and 2) above in 2012.

The Board of Directors

Appendix 7.2 – Board of Directors' Special Report on Performance Share Grants (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 2012 report to shareholders on share grants for employees and executives who do not hold over 10% of the Company's capital.

On 16 February 2012, the Board of Directors decided to use the authorisation given by the Annual General Meeting of 9 May 2011 to set up two performance share plans and to grant a total of 69,997 performance share rights to employees and officers of the Company and related entities within the meaning of Article L.225-197-2 of the French Commercial Code as follows:

1. Framework for the performance share grants

1.1 Authorisation

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

1.2 Grants under Plan 1 and Plan 2

In line with the recommendation of the Remuneration Committee, the Board of Directors decided to grant 49,481 performance shares to the corporate officers and certain senior executives as a long-term incentive bonus, and to other employees of the Group entities (Plan 1) and 20,516 performance shares to the Chief Executive Officer, Bertrand Julien-Laferrière, pursuant to the commitment given at the time of his appointment (Plan 2). No further performance share grants will be made under Plan 2.

1.3 Purpose of the performance share grants

The main purpose of Plans 1 and 2 is to set up a profit-related long-term incentive plan for corporate officers and certain senior executives that the Company is particularly interested in incentivising. Plan 1 was extended to all employees of SFL and the other Group entities in order to give them a stake in the Company's growth, in line with the requirements of Article L.225-197-6 of the French Commercial Code.

2. Characteristics of the performance share plans

The terms of Plans 1 and 2 are the same, except for a difference in vesting period as explained below.

2.1 Number of performance shares granted under the Plans

The Annual General Meeting of 9 May 2011 authorised the Board of Directors to grant performance shares representing up to 1% of the number of SFL shares outstanding on the Meeting date.
The Board of Directors decided to grant 69,997 performance shares, including 49,481 under Plan 1 and 20,516 under Plan 2.

2.2 Vesting period and performance criteria

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 10 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results:
(i) for the third financial year as from the award date (i.e. for this initial award, the year ended 31 December 2014) in the case of Plan 1; and
(ii) for the second financial year as from the award date (i.e. for this initial award, the year ended 31 December 2013) in the case of Plan 2.

Continuing presence within the Group

The performance shares will vest only if, at the end of a three-year period for Plan 1 and a two-year period for Plan 2, 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 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 NAV per share over the vesting 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 corporate officers and certain senior executives, after the end of this statutory 2-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

3. Type of shares and rights attached to the shares

The shares will be subject to all the provisions of the law and the Company's articles of association and will carry rights from the date when they vest, including rights to all dividends paid and other distributions made after said date. Grantees will be required to comply with the lock-up obligation(s) referred to above.

4. Admission to trading

If the Board of Directors decides to issue new shares (rather than choosing the option of delivering existing shares) under Plan 1 and Plan 2, an application will be made for the shares to be admitted to trading on NYSE Euronext Paris in compartment A.

On 16 February 2012, based on the recommendation of the Remuneration Committee, the Board of Directors decided to set up two performance share plans in line with the authorisation given by the General Meeting of 9 May 2011. A total of 50,478 performance shares were awarded to the Chairman, the Chief Executive Officer and the Managing Director under these plans. A description of the plans, drawn up in application of Articles 212-4-5 and 212-5-6 of the General Regulations of France's securities regulator (AMF), is provided in this document.

Under Plan 1 (set up for employees of SFL and related entities within the meaning of Article L.225-197-2 of the French Commercial Code), 29,962 performance shares were awarded to these three individuals, 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, Juan José Brugera Clavero.

Plan 2 was set up solely in favour of Bertrand Julien-Laferrière who was awarded 20,516 performance shares pursuant to the commitments made to him at the time of his appointment. No further performance share grants will be made under Plan 2.

In accordance with the AFEP-MEDEF corporate governance code, for performance shares granted to corporate officers, 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 NAV per share over the vesting period for each of the plans.

In accordance with the recommendations contained in the AFEP-MEDEF corporate governance code, after the end of the statutory 2-year lock-up period, corporate officers 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 corporate officers have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

The Board of Directors

Appendix 7.3 – Five-year financial summary (parent company)

(prepared in accordance with Article R. 225-102 of the French Commercial Code)

(in €)	2008	2009	2010	2011	2012
I. Capital at 31 December					
Share capital	93,004,602	93,011,352	93,057,948	93,057,948	93,057,948
Number of ordinary shares outstanding	46,502,301	46,505,676	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	128,851,442	130,513,358	130,779,707	99,194,508	94,646,561
Profit before tax, depreciation, amortisation and provisions	70,266,806	120,028,141	90,116,934	70,519,256	(9,444,008)
Income tax (expense)/benefit	9,249,487	386,328	(386,328)	3,752,786	2,224,773
Net profit	(3,141,109)	31,566,023	97,098,358	42,547,038	(41,971,858)
Ordinary dividends	88,354,372	97,661,920	97,710,845	65,140,564	65,140,564
Special dividends				32,570,282	32,570,282
III. Earnings per share					
Earnings per share after tax, before depreciation, amortisation and provisions	1.31	2.57	1.95	1.43	(0.25)
Earnings per share	(0.07)	0.68	2.09	0.91	(0.90)
Net ordinary dividend per share	1.90	2.10	2.10	1.40	1.40
Special dividend per share				0.70	0.70
IV. Employee data					
Number of employees at year-end	73	70	70	71	68
- Including building staff	3	3	3	2	2
Total payroll	6,443,873	6,511,026	6,778,433	7,024,460	7,111,629
Total benefits	3,304,790	3,098,388	3,202,378	3,331,603	3,201,255

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 shareholder authorisations given to the Board to issue shares pursuant to Articles L.225-129-1 and L.225-129-2 of the Code, along with details of their utilisation in 2012.

Date of AGM	Authorisation or delegation of competence	Used/ unused in 2012	Duration of authorisation
9 May 2011	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
9 May 2011	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
9 May 2011	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
9 May 2011	Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares, without pre-emptive subscription rights, through a public placement or a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting.	Unused	26 months
9 May 2011	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
9 May 2011	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
9 May 2011	Delegation of competence 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.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue securities with rights to debt securities.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.	Unused	26 months
9 May 2011	Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan.	Unused	26 months
9 May 2011	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
9 May 2011	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers (1).	USED	38 months
9 May 2011	Delegation of competence to the Board of Directors to issue bonds with redeemable equity warrants, without pre-emptive subscription rights.	Unused	18 months

(1) Pursuant to this authorisation, the Board of Directors set up three performance share plans at its meetings of 16 February 2012 and 5 March 2013. 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 (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, the restrictions on the powers of the Chief Executive Officer and Managing Director imposed by the Board of Directors, and the Company's internal control and risk management procedures.

The report was approved by the Audit Committee on 4 March 2013 and by the Board of Directors on 5 March 2013.

The Company refers to the AFEP-MEDEF corporate governance code for listed companies.

The code can be downloaded from the MEDEF website (www.medef.fr – Corporate Governance section).

The factors that could have an impact in the event of a public tender offer for the Company's shares are presented on page 38.

See also section 4.3 "Risk factors", page 24.

1. Corporate governance

1.1. Board practices

1.1.1 Organisation of the Board of Directors

Composition of the Board of Directors

SFL's Board of Directors had 14 members as of 31 December 2012, including nine representing the majority shareholder Colonial, two (Jean-Jacques Duchamp of Prédica and Reig Capital Group, Luxembourg, represented by Alejandro Hernández-Puértolas) representing significant minority shareholders and three independent directors (Anthony Wyand, Jean Arvis and Jacques Calvet).

Directors are elected for a three-year term, except for candidates who are aged 70 or over on the date of their election or re-election, whose term is limited to one year.

The number of directors aged over 70 may not represent more than one third of the members of the Board.

Act 2011-103 of 27 January 2011, which came into effect on 29 January 2011, introduced rules concerning gender balance on company boards. It requires listed companies to have a mix of men and women on their boards, starting with the election of at least one woman (or one man in the case of an all-female board) at the first general meeting held after the Act's publication date (28 January 2011) at which the election or re-election of a director is to be put to the vote. With two female members as of 31 December 2012, SFL's Board of Directors already complies with the gender balance principle. In the next phase, the Act requires listed companies to have a quota of at least 20% of women (or men) on their board no later than at the Annual General Meeting called to approve the 2013 financial statements. As SFL's Board has 14 members, a third female director will be proposed for election at the 2014 Annual General Meeting.

Board of Directors from 1 January to 31 December 2012	Term expires at the end of the Annual General Meeting called to approve the financial statements for:
Juan José Brugera Clavero Chairman of the Board	2012
Jean Arvis Director	2012
Jacques Calvet Director	2012
Aref Lahham Director	2012
Jean-Jacques Duchamp Director	2012
Anne-Marie de Chalambert Director	2013
Carmina Gañet Cirera Director	2013
Luis Maluquer Trepat Director	2013
Pere Viñolas Serra Director	2012
Anthony Wyand Director	2012
Carlos Losada Marrodán Director	2014
Carlos Fernandez-Lerga Garralda Director	2012
Bertrand Letamendia Director	2013
Reig Capital Group Luxembourg (represented by Alejandro Hernández-Puértolas)	2012

General information about the directors in office at 31 December 2012

Juan José Brugera Clavero (aged 66, a Spanish citizen) began his career in 1967 as a teacher 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 lectured in 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 occupied various positions at BancoSabadell. He moved to Sindibank as Chief Executive Officer in 1987 and held the same position at Colonial from 1994 to 2006 and at Mutua Madrilena from 2006 to 2007. He was also a director of SFL from 2004 to 2006. He has been the Chairman of Panrico since 2007 and Chairman of Colonial since 2008.

Jean Arvis (aged 77, a French citizen) is an independent director, with over forty years' experience in insurance. He spent the early years of his career, from 1963 to 1968, with Soleil Aigle Assurance, first as an insurance inspector and later as Company Secretary. He then joined GAN, where he also occupied the position of Company Secretary, before being appointed Chief Executive Officer. In 1986, he moved to Groupe Victoire as Chief Executive Officer, becoming Chairman and Chief Executive Officer in 1989. After leaving the company in 1992, he held the positions of Advisor to the Chairman at Suez from 1992 to 1995, Special Advisor at AIG from 1993 to 1997 and Chairman of the Board at Monceau Assurances from 1993 to 2000. He served as Vice Chairman then Chairman of Fédération Française des Sociétés d'Assurance between 1991 and 1998. He has also sat on the Board of Directors of several companies, both in France and abroad.

Jacques Calvet (aged 81, a French citizen) is an independent director. He began his career in the Auditor General's department (1957-1959) before occupying various positions in the French Ministry of Finance, including, from 1970 to 1974, Principal Secretary to the Minister, Valéry Giscard d'Estaing. He joined BNP in 1974 as Deputy Managing Director, becoming Managing Director in 1976 and then Chairman from 1979 to 1982. He has been an Honorary Chairman of BNP Paribas since 1997. He has also occupied various management positions within the Peugeot group, including Chairman of Peugeot S.A. (1982-1984), Chairman of the Supervisory Board of Peugeot S.A. (1984-1997), Chairman of Automobiles Peugeot (1990-1997) and Chairman of Automobiles Citroën (1983-1997).

Jean-Jacques Duchamp (aged 58, a French citizen) 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 financing international projects. He moved to Crédit Agricole as head of internal audit in 1985, before becoming a member of the Bank's Finance Department in 1991. He was appointed Chief Financial Officer of Prédica in 2001 and has been a member of the Prédica Executive Committee since 2004.

Carlos Fernandez-Lerga Garralda (aged 63, a Spanish citizen) is a lawyer specialized in civil and corporate law. He began his career as Advisor to the Spanish Minister and the Secretary of State for the European Union (1978-1983) before joining Grupo Banco Hispano Americano as Chief Executive Officer of the bank's Asesoramiento Comunitario SA subsidiary. He is a member of the Board of Directors of Colonial and several other companies. A former professor at Madrid University, he has written several books on competition law and intellectual property law.

Carmina Gañet Cirera (aged 44, a Spanish citizen) is an economist by training who started her career at Caixa de Catalunya and later joined Arthur Andersen as an auditor (1991-1995). She moved on to work for La Caixa's industrial holding company (now Criteria) as head of Budget Control within the Finance, Insurance and Property department, a position that led her to participate in the Inmobiliaria Colonial IPO process. In 2000, she was appointed Chief Financial Officer of Inmobiliaria Colonial, before becoming Corporate Managing Director in January 2009. She has been a member of the Junta del Circulo de Economia economic think tank and is a former professor at Ramon Llull University.

Pere Viñolas Serra (aged 50, a Spanish citizen) holds an MBA from Esade – Barcelona University. He was Deputy Chief Executive Officer of the Barcelona Stock Exchange from 1990 to 1996, Chief Executive Officer of Filo, a listed property company, from 1997 to 2001 and Partner and Chief Operating Officer of the Riva y Garcia financial group from 2001 to 2008. Since 2008, he has been Chief Executive Officer of Inmobiliaria Colonial. From 1994 until 2000 he was Chairman of the Barcelona-based Catalonian Financial Analysts Institute and Chairman of the Urban Land Institute in Spain. He serves on the Board of Directors of several companies and is a professor in the Finance Department of ESADE.

Anthony Wyand (aged 69, a UK citizen) is an honorary Chairman and independent director of SFL. He has occupied various positions throughout his career, including Executive Director of Commercial Union Plc (1987-1998), Deputy Chief Executive of CGU Plc (1998-2001) and Executive Director of Aviva Plc (2001-2003). He is currently a member of the Board of Directors of Société Générale (France) and Unicredito.

REIG Capital Group Luxembourg is represented by **Alejandro Hernández-Puértolas** (aged 41, a Spanish citizen) who holds an MBA in financial management from Jacksonville University in Florida. He was Marketing Director (1995-1998), Deputy Chief Executive Officer and then Chief Executive Officer (1999-2002) of Viajes Iberia, a member of the Iberostar Group, Chief Executive Officer of MedGroup Hospitality, a member of the MedGroup Investments Group (2003-2007) and Chief Executive Officer of the Reig Capital Hotels & Real Estate Division of Reig Capital Group (2007-2010). He is currently Chairman and Chief Executive Officer of Reig Capital Management, the holding company that manages the Reig Moles family's interests and investments.

Aref Lahham (aged 48, a US citizen) is a civil engineer with degrees from Cornell University (M.Eng.) and Purdue University (B.Sc.). He began his career in 1986 as a structural engineer with Leslie E. Robertson Associates in New York. In 1990, he began the MBA programme at the INSEAD business school in Fontainebleau, France, and on graduation joined Segece-Compagnie Bancaire as Director, Shopping Centre Projects. In 1992, he was chosen by LaSalle Partners, a firm of property consultants, to open their London office. In 1994, he opened the Paris office which he managed until 1999. During this period, he participated in the purchase of bank receivables in France and managed the Francilienne fund, which acquired several office buildings in France. He also served as Chief Executive Officer of Lafayette Partenaires, a subsidiary of Société Générale. In 1999, with two of his partners, he set up Orion Capital Managers, which he continues to manage and which has sponsored several European property funds. These funds' combined portfolio of European properties totals more than €4 billion.

Anne-Marie de Chalambert (aged 69, a French citizen) was Marketing Director of Valois (1970-1980); founder, Chairman & Chief Executive Officer of VLGI, a subsidiary of Banque Lazard (1980-1996); Chairman & Chief Executive Officer of Generali Immobilier (1996-2004), where she shifted the focus of the Generali France portfolio from residential to office property located primarily in Paris and the Paris region; Chairman of Generali Real Estate Europe (2004-2008), where she consolidated Generali's various property management teams in Europe and invested in joint transactions; and Chairman of Generali Immobiliare (2009-2010). Since 2010, she has been acting as an advisor to Institut Pasteur. She is also a member of the Board of Directors of Nexity.

Bertrand Letamendia (aged 66, a French citizen) is a graduate of ESSEC business school. A member of the Supervisory Board of Klépierre since 1998, he has spent his entire career in property. Between 1997 and 2008, he was successively Development Manager at STIM (Bouygues Group), Director at Kaufman & Broad and Property Director at AGF. In 2009, he set up AITA Conseils SAS, a firm of economic, marketing and property consultants.

Luis Maluquer Trepat (aged 57, a Spanish citizen) has degrees in law (from Barcelona University) and international institutions (from Geneva University). He has been a lawyer and partner of the Maluquer Advocats law firm since 1995. He headed BNP Paribas's external law firm from 1980 to 1992 and Caja Nacional del Crédito Agrícola's external law firm in Barcelona from 1992 to 1998. He has represented Spain on the Board of the European Society for Banking and Financial Law since 2000. He also lectures in taxation at the Barcelona Chamber of Commerce.

Carlos Losada Marrodán (aged 55, a Spanish citizen) holds a doctorate in management sciences from Esade-Universitat Ramon Llull, a law degree from Barcelona University (1979), an MBA from ESADE (1980) and a diploma from Harvard University (1994). He held a variety of positions with the Catalan regional government, of which the most recent was Secretary General of the Public Administration and Civil Service. He served as an expert in public sector management and modernisation for the United Nations Management Development Programme (PNUD-MDP) and the Inter-American Development Bank (BID). He has been an Associate Professor in the ESADE Business Policy Department since 1988, specialising in business administration, corporate strategy and public management. He was Chief Executive Officer of ESADE from 2000 to 2010.

Independent directors

The election of independent directors is part of the general trend to enhance the corporate governance practices of listed companies.

The AFEP-MEDEF corporate governance code states that "A director is independent of the corporation's management when he or she has no relationship of any kind whatsoever with the corporation or its group which might risk colouring his or her judgment." Consequently, an independent director is to be understood not only as a "non-executive director", i.e., one not performing management duties in the corporation or its group, but also one devoid of particular bonds of interest (significant shareholder, employee, other) with them.

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

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

The Board of SFL has decided that the fact that a director has served on the Board for more than 12 years does not automatically disqualify him or her from being considered as independent.

The three independent directors are:

- Anthony Wyand,
- Jacques Calvet,
- Jean Arvis.

Directorships and other positions held by the members of the Board

* Directorships not taken into account to determine compliance with Articles L.225-21 and L.225-77 of the French Commercial Code on multiple directorships.

Juan José Brugera Clavero

First elected: 2004
Current term expires in 2013
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:

- **Chairman of the Board**
  - Société Foncière Lyonnaise

Outside France (Spain)*:

- **Director and Chairman**
  - Inmobiliaria Colonial (SA)

Other directorships and positions held in the past five years:

– **Chief Executive Officer**
  • Société Foncière Lyonnaise (SA)
  • Mutua Madrilena (Spain)
– **Chairman**
  • Panrico (Spain)
  • ESADE (Spain)
– **Director**
  • Creapolis S.L. (Spain)
  • Mapfre Regional Council (Spain)
– **Chief Executive Officer**
  • Colonial (Spain)

Jean Arvis

First elected: 1987
Current term expires in 2013
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**
  • Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Non-executive Chairman**
  • GFC (Groupement Français de Caution) – term expired during the year
– **Non-voting director***
  • Compagnie Financière Saint-Honoré (CFSH Rothschild) – term expired during the year
– **Legal Manager***
  • SCI de l'Arverne
  • SCI Saint-Germain 176
  • SCI La Chapelle
  • SCI La Corniche
  • SCI Choucroute et Potée
  • Groupement Forestier de l'Arverne
  • Fontainebleau République (SC)

Outside France*:

– **Chairman**
  • Alma Capital Europe (Luxembourg)
  • Atlas Finances Conseil (Morocco)
  • Massinissa (Morocco)
– **Director**
  • Scor US
  • Scor Canada
  • Wafa (Morocco)
  • Friends Provident, Monitoring Board (UK) (term expired during the year)
  • Azbenar (Morocco)

Other directorships and positions held in the past five years:

– **Director**
  • Adyal
  • IMI
  • Axa Sun Life, Monitoring Board (UK)
– **Non-voting director**
  • Gimar

Jacques Calvet

First elected: 1999
Current term expires: 2013
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**
  • Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**
  • Laser Cofinoga (SA)*
  • Laser (SA)*
  • Cottin Frères (SA) (listed company)
  • Le Meilleur Holding (SAS)*
– **Vice Chairman and Member of the Supervisory Board**
  • Société Anonyme des Galeries Lafayette (SA)
– **Chairman of the Supervisory Commitee***
  • Bazar de l'Hôtel de Ville - BHV (SAS)
– **Non-voting director***
  • EPI - Société Européenne de Participations Industrielles (SAS) (term expired during the year)
  • Agence H (ex. Scherlafarge) (term expired during the year)
– **Honorary Chairman***
  • BNP Paribas (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:

– **Director**
  • Aldeta (SA)
  • Icade (SA)
  • Novarte (SAS)
– **Non-voting director**
  • Société Foncière Lyonnaise (SA)
  • Cottin Frères (SA)

Anne-Marie de Chalambert

First elected: 2010
Current term expires in 2014
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2012:

In France – SFL Group:
- **Director**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:
- **Director**
  - Nexity (SA) (listed company)
- **Chairman***
  - AMCH (SASU)
- **Member of the Investment Committee***
  - Institut Pasteur

Other directorships and positions held in the past five years:
- **Chairman of the Board**
  - Generali Immobiliare (SA) (Italy)
  - Generali Real Estate Europe (SA)
- **Chairman of the Supervisory Board**
  - Generali Immobilier Gestion (SA)
  - Generali Immobilier Conseil (SA)
- **Permanent representative of Generali Vie, Member of the Supervisory Board**
  - Foncière des Régions (SA)
  - Foncière des Logements (SA)
- **Permanent representative of Generali IARD, Director**
  - Silic (SA)
- **Director then Vice Chairman**
  - FSIF - Fédération des Sociétés Immobilières et Foncières

Jean-Jacques Duchamp

First elected: 2004
Current term expires in 2013
Business address: 16 Boulevard de Vaugirard, 75015 Paris (France)

Directorships and other positions held in 2012:

In France – SFL Group:
- **Director**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:
- **Director**
  - Crédit Agricole Immobilier (SA)*
  - CPR - Asset Management (SA)*
  - Pacifica (SA)*
  - Spirica (SA)*
- **Permanent representative of Crédit Agricole Assurances, Director**
  - Dolcéa Vie (SA)
- **Permanent representative of Prédica, Director**
  - Sanef (SA)
  - Gecina (SA) (listed company)
- **Deputy Managing Director***
  - Crédit Agricole Assurances (SA)
- **Member of the Supervisory Board**
  - Korian (SA) (listed company)

Outside France*:
- **Director**
  - BES Vida (SA), (Portugal) (term expired during the year)
  - CA Vita (SA), (Italy)

Other directorships and positions held in the past five years:
- **Director**
  - Previseo Obsèques
  - Unimo (SAS)
  - Foncière des Régions

Carlos Fernandez-Lerga Garralda

First elected: 2008
Current term expires in 2013
Address: Monte Esquinza, 14-7°D, 28010 Madrid (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:
- **Director**
  - Société Foncière Lyonnaise

Outside France (Spain)*:
- **Director**
  - Inmobiliaria Colonial (SA)
  - EUR - Consultores SL
- **Director and Chairman of the Board:**
  - Iberdrola Ingenieriá y Construcción S.A.U.

Other directorships and positions held in the past five years:
- **Director**
  - Abantia Empresarial SL (Spain)
  - Gamesa Corporación Tecnológica (SA)

Carmina Gañet Cirera

First elected: 2009

Current term expires in 2014

Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**

- Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**

- SIIC de Paris (SA) (listed company)

Outside France (Spain)*:

– **Chief Executive Officer – Corporate Division**

- Inmobiliaria Colonial (SA)

Other directorships and positions held in the past five years:

– **Director**

- Torre Marenostrum (Spain)

Aref Lahham

First elected: 2010

Current term expires in 2013

Business address: 2 Cavendish Square - W1G OPD London (UK)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**

- Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Chairman***

- CIB Management (SAS)
- Orion Capital Managers France (SAS)

– **Representative of CIB Management SAS*, Managing Partner**

- CIB - Compagnie Immobiliere Beltegeuse (SCA)

Outside France*:

– **Director**

- Orion Holding Belgium Sparl (Belgium)
- RE Galaxy III Sarl (Luxembourg)
- RE Constellation II Sarl (Luxembourg)
- Swan Constellation II Sarl (Luxembourg)
- Orion Capital Managers (Spain) SL (Spain)
- OCM Holdings, L.L.C(United States)
- Fund IV Holdings LLC (Delaware Limited Liability Company) (United States)
- Orion European Manager, L.L.C. (United States)
- Orderbide II Limited (United Kingdom)
- Orion Capital Managers (UK) Limited (United Kingdom)
- Orion European Partner B.V (Netherlands)
- Orion European Partner II B.V (Netherlands)
- Orion European Partner III B.V (Netherlands)
- Orion Holding Spain BV (Netherlands)
- Orion Income Spain BV (Netherlands)
- RE Constellation I BV (Netherlands)
- Swan Constellation BV (Netherlands)
- Orion Pegasus III B.V (Netherlands)
- Infracity AB (Sweden)
- Orion Capital Managers (Italy) Srl (Italy)

Other directorships and positions held in the past five years:

– **Director**

- Lancerta Immobiliare Srl (Italy)
- Cetus Immobiliare Srl (Italy)
- Eridanus Immobilare Srl (Italy)
- Perseus Immobilare Srl (Italy)
- Pyxis Immobiliare Srl (Italy)
- Orion Capital Managers (Germany) GmbH (Germany)
- Orion Twelfth Immobilien GmbH (Germany)
- Orion Income Master Luxembourg Sàrl (Luxembourg)
- Orion Master III Luxembourg Sàrl (Luxembourg)
- Orion Master Luxembourg Sàrl (Luxembourg)
- Orion Immobilien Bellatrix Sàrl (ex-Orion Europe 3 Investment) (Luxembourg)
- OIRP Investment 1 Sàrl (Luxembourg)
- OIRP Investment 10 Sàrl (Luxembourg)
- OIRP Investment 11 Sàrl (Luxembourg)
- OIRP Investment 2 Sàrl (Luxembourg)
- OIRP Investment 3 Sàrl (Luxembourg)
- OIRP Investment 4 Sàrl (Luxembourg)
- OIRP Investment 6 Sàrl (Luxembourg)
- OIRP Investment 7 Sàrl (Luxembourg)
- OIRP Investment 8 Sàrl (Luxembourg)
- OIRP Investment 9 Sàrl (Luxembourg)
- Orion Asset France III Sàrl (Luxembourg)
- Orion Asset France Sàrl (Luxembourg)
- Orion Asset Germany III Sarl (Luxembourg)
- Orion Asset Italy III Sarl (Luxembourg)
- Orion Asset UK III Sarl (Luxembourg)
- Orion European 9 Investments Sarl (OIII E3/Asset Spain III) (Luxembourg)
- Orion Finance Luxembourg Sarl (Luxembourg)
- Orion Finance II Luxembourg Sàrl (Luxembourg)
- Orion Finance III Luxembourg Sàrl (Luxembourg)
- Orion III European 12 Sàrl (Luxembourg)
- Orion III European 13 Sàrl (Luxembourg)
- Orion III European 2 Sàrl (Luxembourg)
- Orion III European 3 Sarl (Luxembourg)
- Orion III European 4 Sàrl (Luxembourg)

- Orion III European 5 Sàrl (Luxembourg)
- Orion III European 8 Sàrl (Luxembourg)
- Orion III European 9 Sàrl (Luxembourg)
- Orion Income Finance Luxembourg Sàrl (Luxembourg)
- Orion Income Partners Luxembourg Sàrl (Luxembourg)
- Orion Investment Partners Luxembourg Sàrl (Luxembourg)
- Orion Master II Luxembourg Sàrl (Luxembourg)
- Orion Asset Italy Sàrl (Luxembourg)
- Orion European 2 Investments Sàrl (Luxembourg)
- Orion European Alnilam Sàrl (Luxembourg)
- Orion Immobilien Christine Sàrl (Luxembourg)
- Orion Immobilien Saiph Sàrl (Luxembourg)
- Orion European 1 Investments Sàrl (Luxembourg)
- Orion European 5 Investments Sàrl (Luxembourg)
- Orion European 6 Investments Sàrl (Luxembourg)
- Orion Holding Belgium II Sparl (Belgium)
- Orion Holding Italy 1 BV (Netherlands)
- Orion Holding Italy 2 BV (Netherlands)
- Andromeda Capman Holding SL (Spain)
- Andromeda Capman Propiedad SL (Spain)
- Canopus Capman Holding SL (Spain)
- Canopus Capman Propiedad SL (Spain)
- Orion Auriga SL (Spain)
- Orion Carina SL (Spain)
- Orion Columba SL (Spain)
- Orion Corona SL (Spain)
- Orion Kapella SL (Spain)
- Orion Tucana SL (Spain)
- Orderbide I Limited (UK)
- Orderbide Limited (UK)
- Orion Finance Luxembourg Sàrl (Luxembourg)
- Orion Master Luxembourg Sàrl (Luxembourg)

Bertrand Letamendia

First elected: 2010
Current term expires in 2014
Business address: 30 rue de la Ferme,
92200 Neuilly-sur-Seine, France

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**
- Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**
- Sogeprom (SA)

– **Vice Chairman and Member of the Supervisory Board***
- Texavenir II (SAS) (term expired during the year)

– **Member of the Supervisory Board**
- Klépierre (SA) (listed company) (term expired during the year)

– **Chairman***
- AITA Conseils (SASU)

Other directorships and positions held in the past five years:

– **Real Estate Director – AGF Group**

– **Director**
- Immovalor Gestion

– **Chairman**
- SAS AGF Saint-Marc
- SAS Kléber Lamartine
- SAS Kléber Longchamp
- SAS Kléber Passy
- SAS Société Commerciale Vernet
- SAS 48 Notre Dame des Victoires
- SAS Etablissements Paindavoine
- SAS Etoile Foncière et Immobilière
- SAS Financière Cogedim Laennec
- SAS INVCO
- SAS Madeleine Opéra
- SAS Société Foncière Européenne
- SAS Société de Négociations Immobilières et Mobilières Maleville "SONIMM"
- Vernon SAS

– **Legal Manager**
- SNC AIP
- SNC Allianz Bercy
- SNC Kléber Mirabeau
- SNC Laennec Rive Gauche
- SNC AGF Immobilier
- SNC Phénix Immobilier
- Allianz Immo 3 EURL
- Allianz France SARL
- EURL Business Vallée II
- EURL 20/22 Rue le Peletier
- SARL Relais de la Nautique
- SARL de l'Etoile
- SCCV 48-50 Henri Barbusse
- SCCV 33 rue La Fayette
- SCI 2, rue Largillière
- SCI 10, rue de Richelieu
- SCI 12, rue de Rambouillet
- SCI 16/18 avenue George 5
- SCI du 18 rue Vivienne
- SCI 25, rue Clapeyron
- SCI 30, rue Pergolèse
- SCI 40, Avenue Duquesne
- SCI Centre et Paris
- SCI Civilassur
- SCI Clichassur
- SCI Corepassur
- SCI Ingrassur
- SCI Martinassur
- SCI Mozartassur
- SCI Sogefo
- SCI VI Jaurès
- SCI Tour Michelet

- SCI Remaupin
- SCI 3 Route de la Wantzenau "Les Portes de l'Europe"
- SC Preylloyd Immobilier
- SCI Via Pierre I
- SCI Le Surmelin
- Société de Construction et de Gestion Immobilière des Mesoyers

Carlos Losada Marrodán

First elected: 2010
Current term expires in 2015
Business address: Avenida Pedralbes 60.62, 08034 Barcelona (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise

Outside France*:

– **Director and Chairman of the Audit and Control Commission**
  - Gas Natural Fenosa, SA (Spain)

– **Director and Chairman of the Remuneration and Appointments Commission**
  - InnoEnergy – European Company (Netherlands)

– **Director**
  - Suma Capital (Spain)

Other directorships and positions held in the past five years:

– **Chairman of the Board**
  - Clickair (SA) (Spain)

– **Director**
  - Union Fenosa Gas (SA) (Spain)
  - Cercle d'Economia (Spain)
  - Intermon Oxfam (Spain)
  - Penteo ICT Analyst (Spain)
  - Banc de Sang i Teixits (Spain)

Luis Maluquer Trepat

First elected: 2010
Current term expires in 2014
Business address: Rambla de Catalunya 123, 6a Planta, 08036 Barcelona (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise

Outside France (Spain)*:

– **Chairman of the Board**
  - Balaguer 98 de Inversiones, Simcav, SA
  - Inver 99 Sicav, SA

– **Director**
  - Maluquer Advocats, SCP
  - Aldesago SL
  - Filux, SA
  - Vitek, SA
  - M&M Entertainment, SL
  - Fortunella, SL
  - Pineapple Tree, SL
  - Praeverto, SLP

Other directorships and positions held in the past five years:

– **Director**
  - Gaillac, SL

Pere Viñolas Serra

First elected: 2008
Current term expires in 2013
Business address: Avenida Diagonal 532, 08006 Barcelona (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:

– **Director**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:

– **Director**
  - SIIC de Paris (SA) (listed company)

Outside France (Spain)*:

– **Chief Executive Officer**
  - Inmobiliaria Colonial (SA)

– **Director**
  - Electro-Stocks S.L.
  - Bluespace

Other directorships and positions held in the past five years:

– **Director**
  - Riva y Garcia
  - Mecanotubo

Anthony Wyand
First elected: 1995
Current term expires in 2013
Business address: 40 rue Washington, 75008 Paris (France)

Directorships and other positions held in 2012:

In France – SFL Group:
- **Director and Honorary Chairman**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:
- **Director**
  - Aviva France (SA)*
  - Aviva Participations (SA)
  - Société Générale (SA) (listed company)
- **Legal Manager***
  - Chateau du Theil (SCI)

Outside France*:
- **Director**
  - UniCredito (Italy)

Other directorships and positions held in the past five years:
- **Chairman**
  - Grosvenor Continental Europe (SAS)

Reig Capital Group Luxembourg SARL, represented by Alejandro Hernández-Puértolas
First elected: 2007
Current term expires in 2013
Business address: Paseo de Gracia 79 principal, 108008 Barcelona (Spain)

Directorships and other positions held in 2012:

In France – SFL Group:
- **Permanent representative of Reig Capital Group Luxembourg (Sàrl), Director**
  - Société Foncière Lyonnaise

In France – Outside the SFL Group:
- **Member of the Supervisory Committee***
  - Loris Azzaro (SAS)

Outside France*:
- **Chairman and Chief Executive Officer**
  - Reig Capital Management (Spain)

Other directorships and positions held in the past five years:
- **Chief Executive Officer**
  - Reig Capital Hotels & Real Estate Division (Spain)
  - Medgroup Hospitality (Spain)

1.1.2 Role of the Board of Directors

The Board of Directors has the powers and responsibilities vested in it by law.

In addition, the Annual General Meeting of 9 May 2011 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 issued under this authorisation is capped at €100 million.
- To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL. The aggregate par value of ordinary shares issued under this authorisation is capped at 10% of the Company's share capital.
- To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.
- To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.
- To issue ordinary shares for cash to employees and retired employees who are members of an Employee Share Ownership Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

The Board will ask shareholders to renew these authorisations at the Annual General Meeting held to approve the financial statements for the year ended 31 December 2012.

The Annual General Meeting of 9 May 2011 authorised the Board of Directors:

- To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting (38-month authorisation).
- To make share grants to employees – or certain categories of employees – and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting (38-month authorisation).

The shareholder authorisations concerning treasury shares are described on page 36.

1.1.3 Practices of the Board of Directors

Board meetings

The Board of Directors met seven times in 2012, with an average attendance rate of 87%.

At least five days before each regularly scheduled meeting, the directors are given a file on the agenda items that warrant prior analysis and consideration. Where applicable, the file includes the recommendations of the Committees of the Board.

The issues covered during the 2012 meetings were as follows:

Agenda of the 16 February 2012 meeting

I. APPROVAL OF THE MINUTES OF THE 1 DECEMBER 2011 MEETING

II. REVIEW OF THE 2011 FINANCIAL STATEMENTS, THE AUDIT COMMITTEE'S REPORT AND THE AUDITORS' REPORT

III. DIVIDEND

IV. PERFORMANCE SHARE GRANTS TO EMPLOYEES AND OFFICERS

V. OTHER BUSINESS
- 2012 budget and 2013-2016 business plan.
- Decision placing on record that no capital increases were carried out during the year as a result of the exercise of stock options.
- Report on the meetings of the Remuneration and Selection Committee
- Renewal of the authorisation to guarantee the commitments of Locaparis.

Agenda of the 5 March 2012 meeting

I. APPROVAL OF THE MINUTES OF THE 16 FEBRUARY 2012 MEETING

II. PREPARATION OF THE ANNUAL GENERAL MEETING
- Notice of meeting and agenda.
- Approval of the resolutions to be tabled at the Meeting.
- Approval of the reports of the Board of Directors.
- Approval of the Chairman's report on corporate governance and internal control.

III. OTHER BUSINESS
- Decision concerning the proposed sale of an asset.

Agenda of the 19 April 2012 meeting

I. APPROVAL OF THE MINUTES OF THE 5 MARCH 2012 MEETING

II. AUTHORISATION TO CARRY OUT A BOND ISSUE

III. OTHER BUSINESS
- Forecasts and projections to be prepared in compliance with Article L.232-2 of the French Commercial Code.

Agenda of the 24 July 2012 meeting

I. APPROVAL OF THE MINUTES OF THE 19 APRIL 2012 MEETING

II. REVIEW OF THE 2012 INTERIM FINANCIAL STATEMENTS AND FIRST-HALF BUSINESS REVIEW, PROPERTY APPRAISALS, NAV, THE AUDIT COMMITTEE REPORT AND THE AUDITORS' REPORT

III. REVISED 2012 BUDGET

IV. AUDIT COMMITTEE REPORT

V. OTHER BUSINESS
- Presentation of current contract tendering procedures.

Agenda of the 1 October 2012 meeting

I. APPROVAL OF THE MINUTES OF THE 24 JULY 2012 MEETING

II. PREPARATION OF THE ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED ON 15 NOVEMBER 2012 AT 10:00 A.M.
- Notice of meeting and agenda: payment of an interim dividend of €0.70 per share to be deducted from the share premium account, acquisition of the Citadines business in exchange for shares.
- Approval of the resolutions to be tabled at the Meeting.
- Approval of the report of the Board of Directors.

III. RENEWAL OF THE AUTHORISATION TO CARRY OUT A BOND ISSUE GIVEN TO MANAGEMENT ON 19 APRIL 2012

IV. OTHER BUSINESS

Agenda of the meeting of 15 November 2012

I. APPROVAL OF THE MINUTES OF THE 1 OCTOBER 2012 MEETING

II. PAYMENT OF THE INTERIM DIVIDEND
- Determination of the method of calculating the adjustment to stock option rights.
- Delegation of authority to the Chief Executive Officer 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.

III. 2012 FORECAST, 2013 BUDGET AND 2014-2017 BUSINESS PLAN

IV. OTHER BUSINESS

Agenda of the 19 December 2012 meeting

I. APPROVAL OF THE MINUTES OF THE 15 NOVEMBER 2012 MEETING

II. 2013 BUDGET AND 2014-2017 BUSINESS PLAN
- Updated figures.
- Stress tests.

III. AUTHORISATION TO CARRY OUT THE DOGE PROJECT

IV. OTHER BUSINESS
- Reiteration of the authorisation to sell the Mandarin Oriental Hotel building.
- Authorisation to sell the Hanovre building.
- November 2012 bond issue.

1.1.4 Restrictions on the powers of the Chief Executive Officer and the Managing Director decided by the Board

Bertrand Julien-Laferrière
Chief Executive Officer

Nicolas Reynaud
Managing Director
Chief Financial Officer

The Chief Executive Officer and the Managing Director represent the Company in its dealings with third parties. In accordance with the law, they have the broadest powers to act in any and all circumstances in the Company's name within the limits of its corporate purpose, except for those powers expressly attributed by law to the shareholders and the Board of Directors. The Board of Directors' authorisation must, however, be obtained prior to any and all acquisitions, disposals or financial commitments in excess of €20 million.

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 helps to improve the quality of the Board's work.

Adoption of the SIIC code of conduct

Responding to concerns raised by the French securities regulator (AMF) about certain SIICs that are primarily run by outside managers in exchange for significant fees, the French industry federation, FSIF, stated that this was the standard operating procedure for REITs all over the world. However, at the AMF's request, FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and external service providers.

The FSIF Board of Directors adopted the code on 2 July 2008 and asked its members to follow suit.

SFL's Board of Directors approved the adoption of the code at its meeting of 25 September 2008.

Internal rules

A summary of the Board's internal rules and its ethical and corporate governance standards is available on-line at www.fonciere-lyonnaise.com. See also page 98.

The internal rules describe the Board's duties and practices, as well as the rights and obligations of individual directors.
They reflect the main corporate governance recommendations of French securities regulator AMF, the provisions of the December 2008 AFEP-MEDEF corporate governance code (revised April 2010) and the guidelines issued by the Institut Français des Administrateurs and the Association Nationale des Sociétés par Actions.

Corporate governance statements

To the best of the Company's knowledge:

- There are no family ties between the members of the Board of Directors and the Auditors.
- No member of the Board of Directors has been found guilty of fraud in at least the past five years.
- No member of the Board of Directors has been involved in a bankruptcy, sequestration or liquidation in at least the past five years.
- No member of the Board of Directors has been charged by the statutory or regulatory authorities in at least the past five years.
- There are no potential conflicts of interest between the members of the Board and their duties to the Company. The Directors' Charter requires directors to disclose any conflicts of interest to the Board and to abstain from voting on related topics.
- No member of the Board of Directors has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in at least the past five years.
- In accordance with the Articles of Association, each director who is a natural person, each permanent representative of a corporate director and each non-voting director must directly own at least 25 SFL shares in registered form. No other restrictions have been agreed by any member of the Company's administrative, management, or supervisory bodies or senior management on the disposal within a certain period of time of their holdings in SFL's securities.
- There are no service contracts between members of the administrative, management or supervisory bodies and SFL or any of its subsidiaries providing for benefits upon termination of employment.

Other information

The main terms and conditions of shareholder pacts are described on page 39.

Related-party agreements and commitments

The Auditors' report on related-party agreements and commitments is on page 200.

1.2. Committees of the Board

The purpose of these Committees, whose members may or may not be directors, is to improve the Board's efficiency and generally enhance the Company's corporate governance.

The decision to create a committee is made by the Board. Each committee generally has three or four members who are appointed by the Board. They are selected for their skill and experience and are not necessarily directors or shareholders of the Company.

The committees only examine issues submitted to them by the Board of Directors or the Chairman, in the areas falling within their terms of reference as decided by the Board. They act exclusively in a consultative capacity; under no circumstances may they interfere in the management of the Company or act in any way that would indirectly reduce the powers of the Chief Executive Officer or the Managing Director. The committees report to the Board of Directors.

Their members are appointed for the duration of their term as director (where applicable), or for a shorter period. They may be removed by the Board or stand down at any time, without any reason having to be given.

The members of the committees have the same obligations of allegiance and confidentiality as the directors.

In line with its commitment to transparency and to ensuring equitable treatment of all shareholders, particularly individual shareholders, at the end of 1995 SFL set up several committees whose purpose is to involve the Board more deeply in defining and overseeing strategies related to the Company's financial and operating performance.

The Committees report to the Board on their work after each of their meetings.

Audit Committee (on 19 January, 16 February, 5 March, 21 May, 23 July, 16 October and 14 November 2012; average attendance rate 75%)

Members of the Audit Committee:

Chairman: Carlos Fernandez-Lerga Garralda
Members: Jean Arvis
Jacques Calvet
Jean-Jacques Duchamp

Role:
- To make recommendations concerning the appointment or re-appointment of the Auditors.
- To review the financial statements to be presented to the Board.
- To assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
- To review the audit plans of the internal and external auditors.
- To verify auditor independence.

Reports: a written report on the work of the Committee must be included in the minutes of the Board meeting at which the report is presented.

Assessment: the Committee is encouraged to assess its practices each year at the same time as the Board's practices are assessed.

Remuneration and Selection Committee (on 12 January and 16 February 2012; average attendance rate 100%)

Members of the Remuneration and Selection Committee:

Chairman: Pere Viñolas Serra
Members: Jean Arvis
Juan José Brugera Clavero
Anthony Wyand

Role:
- To make recommendations to the Board concerning the remuneration of the Chief Executive Officer and the Managing Director, directors' fees, stock option plans and specific incentive bonus plans.
- To make recommendations to the Board concerning candidates for election to the Board and senior management succession planning, particularly when a seat on the Board or a senior management position falls vacant for unforeseeable reasons or following a change in the number of seats on the Board.

Executive and Strategy Committee (on 5 March, 26 June and 23 November 2012; average attendance rate 94%)

Members of the Executive and Strategy Committee:

Chairman: Juan José Brugera Clavero
Members: Jean-Jacques Duchamp
Carmina Gañet Cirera
Aref Lahham
Pere Viñolas Serra

Role:
- To advise the Board and senior management on overall strategies to promote business growth in the best interests of the Company and all of its shareholders.
- To help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
- To review business plans and projections in order to assess the medium and long-term outlook.
- To review and make recommendations concerning planned transactions that require the Board's prior approval.
- To report to the Board on its activities.

Committee of Independent Directors

Discussions about the changes in SFL's ownership led the Board, on 14 February 2008, to create a Committee of Independent Directors. Its members are:

Members: Jean Arvis
Jacques Calvet
Anthony Wyand

The Committee meets separately from the full Board.

Its role is to make recommendations to the Board concerning any proposed transactions leading to a possible reorganisation of the Company's ownership structure. It did not hold any meetings in 2012.

1.3 General Meetings (extracts from articles 24, 25 and 29 of the Articles of Association)

General Meetings are called in accordance with the applicable laws and regulations.

They are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.

The Board of Directors sends or makes available to shareholders the documents required to enable them to make informed decisions about whether to vote for resolutions and an informed judgement about the management of the Company's business.

Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting. If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions.

A written question is considered as having been answered when the reply is posted on the FAQs page of the Company's website.

I – General Meetings may be attended by all holders of fully paid up shares that have been recorded in the shareholder's account prior to the date of the meeting as follows:

- Holders of bearer shares and holders of registered shares recorded in an account not kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded in an account kept by an accredited intermediary as of the record date.
- Holders of registered shares recorded in an account kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are registered in their name as of the record date.

These formalities must be completed no later than 12:00 a.m. CEST on the third day preceding the date of the Meeting.

Shareholders, representatives of shareholders and accredited intermediaries are entitled to attend General Meetings on presentation of proof of their identity and eligibility to attend. The Board of Directors may provide shareholders with personal admission cards for General Meetings and, if it thinks fit, require that they be shown prior to admittance.

II – Any shareholder may, on the basis stipulated in the applicable laws and regulations, vote remotely or give proxy to his or her spouse or civil partner or to another shareholder or to any other person or legal entity in order to be represented at General Meetings, by writing to the Company to request a distance voting/proxy form. Written requests for a proxy voting form must be received at the Company's registered office at least six days before the Meeting.

If a shareholder gives proxy to a person other than his or her spouse or civil partner, the proxyholder must notify the shareholder of any situation that could give rise to a conflict of interest so that the shareholder can assess the risk of the proxyholder not voting in the shareholder's best interests.

If any such situation arises, the proxyholder must notify the shareholder without delay and the shareholder will then be required to formally confirm the proxy. Failing that, the proxy will not be valid and the proxyholder must notify the Company. Any individuals or entities other than a shareholder's spouse or civil partner that actively solicit proxies (for example, a minority shareholder or an organisation set up to defend shareholders' interests) by offering, directly or indirectly and by any method, to represent one or several shareholders, must disclose their voting policy. Said individuals or entities may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all proxies received without any voting instructions.

If a proxyholder fails to comply with any of the above obligations, the represented shareholder may ask the commercial court in the jurisdiction where the Company has its registered office to ban the proxyholder from acting in this capacity at all General Meetings of the Company for a period of up to three years. The Company may file a similar application but only if the proxyholder has breached the rules governing the active solicitation of proxies.

The remote voting/proxy form must be received by the Company at least three days before the Meeting date.

The applicable conditions for the return of these forms are defined by the Board of Directors in the Notice of Meeting.

Shareholders domiciled outside France may give proxy to an intermediary, registered in accordance with the applicable legal conditions, provided the Company is informed of the proxy in writing at least five days before the date of the Meeting.

The Board of Directors may reduce or waive the time periods specified in this section II.

Resolutions are adopted by the number of votes prescribed in the corresponding legislation in force on the date of the Meeting. Shareholders are entitled to one vote per share. There are no shares with double voting rights.

2. Internal control and risk management procedures

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.
- Teamwork in decision-making processes.
- Segregation of duties between the authorisation of expenditure and the related payments.

Two major changes took place during 2011 that led to very significant improvements in the efficiency of internal control and risk management processes:
- First, the Company was reorganised around three areas of expertise.
- Second, the Company's governance rules were upgraded in a process led by the Audit Committee on behalf of the Board of Directors.

Internal reorganisation
The new organisation is built around three areas of expertise:
- Operations, encompassing the property, asset management, technical and marketing disciplines.
- Finance, including accounting, financing, budget control and investor relations.
- Support/Resources, spanning legal affairs, human resources, information systems, and internal control and audit.

The reorganisation was carried out in 2011 on the basis of a clear and careful definition of each staff member's role and responsibilities. Accompanied by a review of procedures, these definitions clarified who does what, leading to more effective control over risks.

Upgraded governance rules:

In line with the recommendation of the Audit Committee, the Board of Directors decided to outsource the internal audit function to KPMG. This decision was made following a detailed consideration of internal audit issues with the Company's senior management and a comparative review of service proposals from four accounting firms with excellent references, who were all invited in to make presentations to the Audit Committee.

The internal audits are performed based on the annual audit plan drawn up by the Audit Committee with input from the Company's management. They are overseen by the Chief Resources Officer whose responsibilities include internal control and internal audit.

This report contains:

- A general presentation of the internal control system, the people and structures responsible for its implementation, and the process for preparing financial and accounting information for shareholders.
- A presentation of internal control procedures, with details of their scope of application and the risks covered, including the specific risks inherent in the Company's business, and the Chairman's assessment of their appropriateness and effectiveness.
- A description of the procedures carried out to prepare this report.

See also section 4.3 "Risk factors", page 24.

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. Detailed data are now produced for each property in the portfolio. These data are aggregated and reconciled to the statutory accounting data and consolidation packages produced by the entities concerned, providing a critical means of control.

SFL is fully consolidated in the consolidated financial statements of its main shareholder and is required to produce specific monthly reporting packages for this purpose. In addition to incorporating new and frequently complementary data processing and control practices, the monthly reporting process also helps management to monitor the business more closely:

- Basic reporting schedules are prepared by cash generating unit, corresponding in the case of SFL to each individual building.
- The monthly reporting schedules are reconciled to the budget, allowing management to swiftly identify variances or any inconsistencies in processing the raw data.

Several Group companies are owned jointly with external partners, who also have recurring and increasingly extensive reporting needs. These reports are submitted to the Boards of the companies that are the partners in these joint ventures, representing a valuable opportunity to share expertise and best practices.

b) Delegations of authority

Signing authority is granted only for payments, with dual signatures required in all cases. A strict segregation of duties is maintained between the authorisation of expenditure and the related payments.

The list of authorised signatories is checked periodically and updated to take account of organisational changes.

Delegations of authority were reorganised following the Company's 2011 reorganisation referred to in the introduction to this report. The new delegations of authority were audited as part of the 2012 Internal Audit Plan. For more information, see section 2.3.1 of this report.

c) Information systems governance

The Information Systems Department is responsible for issuing systems security standards covering:

- Systems uptime rates
- Data classification
- Data backups and protection
- Incident management
- Protection against computer viruses and security breaches.

The current information system, which covers all business processes, was deployed in 2004 in accordance with the Company's IT master plan. The system is now out-of-date and no longer meets SFL's strategic needs. As a result, in early 2012, the Company started to examine options for changing the system. Following a competitive bidding process conducted in 2012, Cassiopae was selected to develop a new information system that is due to be deployed at the end of first-quarter 2014.

Information systems management continues to be outsourced to an external service provider, which provides assurance that databases are backed up at daily intervals and that the technical quality of backups is satisfactory. The outsourcing contract also includes a contingency plan, providing for the transfer of processing operations to IBM Global Service in the event of a major systems failure. All of these back-up and contingency procedures have been reviewed by an external auditor to verify their effectiveness.

Operation of mission-critical property management applications is also outsourced under a facilities management contract which comprises all necessary safeguards to guarantee data security, including:

- A communications protocol describing data exchange methods and the documents used for communications between SFL and the external service provider.
- A facilities management procedure manual, describing the procedures to be followed for receiving, processing and tracking requests for applications changes and upgrades, as well as for the acceptance of new developments and their transfer from development to operational status.
- Weekly activity reports comprising indicators to monitor the quality of information systems administration services.

The Information Systems Department, which is responsible for coordinating security procedures and data processes, supports the external auditors in their analysis of information systems risks and their audit of control processes and transaction traceability.

The auditors' recommendations concerning the issue of written control procedures, notably for accounting applications, are implemented by the Company.

d) Internal code of ethics

All Group employees are required to comply with the SFL Code of Ethics, whose guidelines are to be especially applied in dealings with third parties. All staff members have also been specifically notified of the rules concerning insider trading and the use of inside information. These rules have been published on the Company's intranet.

2.2 Internal control procedures

a) Procedures for identifying and managing business-specific risks

Existence and valuation controls over the properties that constitute the bulk of the Group's assets are performed by independent valuers during their quarterly portfolio valuations.

The Accounts Department pays particular attention to ensuring the completeness of accounting entries concerning renovation, repair and other work undertaken by Group companies. To this end, a member of the accounting team has been given specific responsibility for managing works accounts for all companies, providing the Technical Department with a single point of contact and guaranteeing consistent treatment of all transactions. The internal audit programme includes a detailed review of the risk-mapping exercise conducted for all major property redevelopment projects planned by the Group. The maps list and measure all the risks associated with each project, providing decision support for senior management and the basis for determining a risk monitoring methodology applicable during the renovation phase.

Procedures are performed at several levels to ensure that internal control objectives of completeness and valuation are met for liabilities:

- 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; failure to take into account the full impact of vacancy rates.
– Fraud.

The risks specific to the Company and the industry are described in detail on page 24.

c) Insurance

The Company's insurance policies include both property cover and liability cover for SFL and its subsidiaries, based on the nature of their businesses and the underlying risks. The properties are insured on an all-risk basis with named exclusions, with a maximum insured value of €300 million. The policy covers reconstruction or replacement costs as well as loss of revenue for a maximum of 36 months, or 48 months for the main properties. Coverage has been extended to losses incurred during repair and maintenance work that is not included in a "contractors all risks" policy. The cap on this coverage is €7.5 million.

d) Controls over the quality of accounting and financial information

As a listed company, SFL has to take a more rigorous, highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, SFL uses the services of external experts to stay informed of technical developments in the areas of accounting, finance and tax. As well as providing regular technical updates, these experts also give formal advice on the choice of accounting options that have a material impact on the financial statements.

SFL participates in work groups set up by the industry federation and other organisations representing the property sector, providing an opportunity to exchange information about best practices and industry standards.

In July 2011, the Company joined Institut Français des Administrateurs, the French federation of company directors.

e) Book-keeping procedures

The accounts of all Group companies except for associates are kept on the same internal accounting system, which is integrated in the management information system. The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability.

Following the internal reorganisation carried out during 2011, all of the accounting teams are now integrated in the Accounting and Budget Control Department, which in turn forms part of the Finance Department.

The corporate accountants each keep the accounts of one or several consolidated companies. They rotate between companies from time to time, to limit the risks arising from an excessive concentration of information in the hands of a single person and also to facilitate multi-tasking when the need arises. To strengthen this duplication of knowledge, the accountants are paired up and fill in for each other when required.

Each year, the corporate accountants are assigned specific objectives. Their performance in relation to these objectives is assessed at the end of the year, during their annual performance review, and determines the amount of their bonus.

As mentioned in the Corporate Governance section, the Audit Committee of the Board of Directors meets twice a year to review with the external auditors the annual and interim financial statements and any significant transactions for the period. The Committee also reviews the external auditors' work programme and holds meetings with them to discuss the post-audit reports prepared after their audits of the interim and annual financial statements, setting out their observations and recommendations.

f) Procedure for the preparation of the consolidated financial statements

A full set of monthly consolidated accounts is produced by the sixth day following each month-end for internal management purposes and for submission to Colonial, the Company's majority shareholder. These monthly accounts are not audited or published.

The procedures for the preparation of the monthly accounts were defined with the assistance of outside consultants, to ensure that reporting deadlines were met. All departments are concerned and controls over the centralised data are performed to ensure that the reported statutory and management accounting data have been prepared on a consistent basis.

The half-yearly and annual financial statements represent the basis for a widespread financial communication exercise and are published within a very short timeframe in order to comply with market standards. The publication dates are announced to the market in advance and must be adhered to. Having been quoted on the stock exchange since 1879, the Company has all the necessary reflexes when it comes to providing the market with the information it needs and expects.

g) Budget and business plan procedures

As well as carrying out account closing procedures, the Budget Control Department produces a rolling five-year business plan, the first year of which corresponds to the budget. The business plan is prepared by aggregating and checking the detailed information produced by all Group departments. For example, the property management departments provide revenue and expense forecasts for each individual building presented on a lease-by-lease basis.

The annual budget is broken down into monthly budgets.

The business plan includes:

– 5-year profit and loss account projections
– A condensed statement of financial position
– A quarterly analysis of changes in consolidated debt
– Key financial ratios: EBITDA, recurring net profit, 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 road map for the business and also as a benchmark for measuring actual performance, based on the monthly reporting packages used for internal management purposes and submitted to the majority shareholder.

In conclusion, the Group's control procedures over the production of accounting and financial information, and its internal control procedures covering the preparation of the consolidated financial statements are appropriate for the purpose of producing reliable accounting and financial information.

h) Controls over liquidity risks

SFL's liquidity management policy consists of maintaining long maturities of debt, in order to be in a position to efficiently roll over or replace borrowings without having to contend with market distortions which, while rare, nevertheless exist. In addition, confirmed undrawn lines of credit are maintained for amounts at least equal to the debt repayments due to in the short-term, in order to cover liquidity risks.

i) Management of market risks

Market risks are managed on a conservative basis, without taking any speculative positions. Interest rate risk on at least 70% of the Group's overall debt is hedged using swaps or caps.

j) Controls over counterparty risks

All financial transactions are carried out with leading financial institutions. Cash reserves, which are limited due to the use of revolving credit facilities, are invested with high quality banks and are not exposed to the risk of any loss of capital.

k) Controls over property-related technical risks

The purpose of controls over property-related technical risks is to prevent and contain environmental risks (asbestos, lead, legionella, etc.) associated with the properties in our portfolio and to ensure that all of these properties comply strictly with the applicable laws and regulations.

All of the risks have been identified and described in an environmental charter. Procedures have been prepared covering all identified risks, including checks for asbestos and lead paint, legionella prevention measures, analyses of drinking water and safety checks on technical installations (electricity systems, lifts, safety equipment, gas pressure equipment, escalators, automatic doors and travelling units). The procedures describe the action to be taken, the implementation timeline and the related controls. Employees responsible for these measures and controls receive specific training.

l) Purchases and contract tendering

Routine purchases are made from accredited suppliers at regularly negotiated prices. For other purchases, competitive bids are obtained from several companies or suppliers where appropriate. A specific contract tendering procedure was set up in 2012.

2.3 Work of the Audit Committee in 2012 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.

2.3.1 Internal audits performed in 2012

In early 2012, the Audit Committee drew up and approved an internal audit plan based on the Company's risk map.

The plan provided for the execution of six audits covering:

1) Property valuation processes: review of assumptions and the quality of data used for the valuations.
2) Rent management and rent receipt issuance processes: review of data input and control processes, followed by a testing phase.
3) Capex monitoring processes.
4) Regulatory compliance processes: review of processes to determine the Company's regulatory obligations and monitor compliance.
5) Critical review of the procedure covering delegations of authority.
6) Cash outflows.

Internal audit reports were prepared and submitted to the Audit Committee after each audit and the Audit Committee also made inquiries of the internal auditors and the Chief Resources Officer, whose responsibilities include internal control and internal audit. The Audit Committee was also informed of the status of action plans for the implementation of the internal auditors' recommendations.

a) Property valuation processes

The purpose of the internal audit of property valuation processes was to assess the reliability of the process for the determination of the portfolio's appraisal value at 30 June and 31 December, identify the key phases in the process and the related controls, and evaluate the relevance and operational effectiveness of the main control processes in order to propose any necessary or worthwhile improvements.

The audit showed that controls over the property valuation process led by the Investments Department are effective.

A few areas for improvement were identified, mainly concerning:

– The issuance of written procedures covering the selection and rotation of valuers, and controls over their application.
– The formal validation of data given to the valuers.
– Formal evidencing of the controls performed by the Investments Department on the data used by the valuers.

b) Process for the issue of rent receipts

The internal audit objectives were to:

– Check the process's reliability, identify the key phases and verify the relevance and operational effectiveness of existing controls.
– Perform a series of tests on the first-quarter 2012 rent receipt issuance process for a significant sample of leases. The sample comprised the twenty most recent leases representing the highest revenues.
– Propose areas for improvement.

The internal audit showed that controls over the rent receipt issuance process led by the Property Management Department are effective.

The identified areas for improvement concerned:

– Drawing up written procedures covering existing controls and written descriptions of certain stages not currently described (rent guarantees).
– Drafting a procedure dealing with variable rents, and implementing controls over the management of these rents.
– Action to improve the completeness of the documentation stored in the GED.
– Aligning practices within the various units of the Property Management Department, particularly as regards variable rents and the treatment of rent guarantees.

c) Capex monitoring processes

The purpose of this audit was to obtain assurance concerning the effectiveness of capex monitoring processes, identify the key stages in the process, and verify the relevance and operational effectiveness of existing controls.

Capital expenditure (capex) corresponds to funds used by a company to acquire or upgrade physical assets.

At SFL, capex concerns:

– Work to remodel vacated buildings (for which a "Building remodelling" macro-process has been defined).
– Work to renovate and refurbish buildings in use (corresponding to the "Building modernisation" macro-process).

Since 2011, Company management has reviewed the entire portfolio every two to three months. Remodelling and modernisation capex are presented during these meetings.

The project team set up for each building attends meetings of the corresponding Asset Review Committee. Each team comprises the manager responsible for the asset, the technical manager, the marketing manager, the portfolio manager and – for development projects – the project director and operations directors.

Based on this new organisation, the key points in the capex monitoring process are as follows:

– Validation of the results of contract tendering processes by senior management.
– Appropriate, regular project status reviews by the newly created Asset Review Committees and Project Review Committees.
– Creation of two-member project leadership teams, comprising the technical project manager and the person responsible for the asset or the asset manager.
– Creation of a budget sheet in the information system showing the budget approved by senior management, ensuring that:
  - No expenditure is incurred over and above the amount recorded on the budget sheet.
  - Expenditure commitments are approved according to a process that guarantees effective separation of tasks.
  - Expenditure commitments are independently monitored by department (Technical, Property Management, Marketing).
– Consistency tests, performed by the Budget Control Department to detect any unusual items.

The main recommended improvements concerned:

– Preparing a written record of the risk analyses performed on the contractors selected during the contract tendering process.
– The introduction of controls over the budget sheets, to ensure that the information is consistent with the decisions made by management.

d) Regulatory compliance processes (periodic financial communications and standing information)

The purpose of the internal audit was to check compliance with SFL's obligations, as a listed company, for the timely publication of periodic financial information and standing information.
Regulatory obligations are complied with overall, both for the publication of periodic financial information and for standing information.

e) Critical review of the procedure covering delegations of authority

The purpose of this audit was to check the reliability of existing procedures, review existing controls and propose areas for improvement.

The procedure covering delegations of authority was completely overhauled in June 2012, in line with the other organisational changes carried out at the end of 2011. The new procedure is based on the Responsible, Accountable, Consulted, Informed (RACI) matrix defining each individual's role and responsibilities in SFL's main business processes.

For each of these eight business processes, the type of commitment, the authorised person(s) and the monetary limit (if applicable) have been defined.

A delegation of authority consists of the transfer by a delegator to a delegatee of all or some of the powers that the law vests in the delegator.

Initially, only the corporate officers (i.e. the Chief Executive Officer and the Managing Director) are authorised to commit the Company under a binding contract. Delegatees of corporate officers may delegate all or some of these powers to other persons.

A distinction is made between delegated authority to sign commitments and to authorise payments. Delegations of authority to sign commitments do not authorise the delegatee to approve the related invoices for payment.

Invoices must be approved for payment by the person who originated the commitment, whatever the amount involved. This measure was decided to make the teams more accountable and to streamline the supplier payment procedure.

The internal auditors noted that the procedure was appropriate, considering SFL's business and new organisation.

The main identified area for improvement concerned the introduction of regular controls to check compliance with the terms of the delegations of authority.

f) Analysis of cash outflows

Cash outflows correspond to disbursements generated by the payment of supplier invoices, the reimbursement of amounts due to tenants or the payment of payroll costs.

SFL uses the following payment media:

– Bank transfers
– Cheques
– Direct debits
– Cash
– Corporate bank cards.

The internal audit showed that cash outflow processes were satisfactory.

The main identified areas for improvement concerned:

– Requests to create new supplier accounts to be reviewed by the requester's superior.
– Controls over invoices paid ahead of the due date and evidencing of the reasons for early payment.

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 is meeting on 14 November, the Audit Committee agreed on a Scorecard comprising four indicators covering rent defaults and leases, and six financial indicators. For some of these indicators, warning triggers were defined, along with comfort zones corresponding to the best-case situation. Lastly, some indicators will be calculated based on the three-year business plan projections.

The Audit Committee decided that the Risk Indicator Scorecard would be reviewed and updated every six months.

2.3.3 Follow-up of the internal auditors' recommendations

The Audit Committee decided to review the implementation of the internal auditors' recommendations at half-yearly intervals or more frequently if necessary.

2.3.4 The Audit Committee's procedures and best practices

In line with best practices in France, the Audit Committee asked KPMG to perform an assessment of the Committee's governance practices and procedures compared with regulatory requirements and existing recommendations.

KPMG's assessment and resulting report were based on a review of the minutes of Audit Committee meetings and all the documents distributed before or during these meetings.

Since the beginning of 2011, the Audit Committee has been looking in detail at:

– The governance rules applied by the Group's administrative, management and supervisory bodies, with the aim of matching the best practices of listed French companies.
– Financial communications, and EPRA recommendations in this area.
– The Company's risk map and internal audit processes.

KPMG's assessment showed that SFL's Audit Committee generally meets expectations in terms of its practices and the fulfilment of its role. In particular, KPMG obtained assurance concerning:

– Compliance with the rules governing the Audit Committee's membership and basic rules of procedure.
– The Committee's review of the annual and interim financial information.
– The Committee's analysis of internal control and risk management systems, particularly through its review of internal audit reports.
– The Committee's review of the external auditors' conclusions during the auditors' presentation of their annual and interim post-audit reports.
– Compliance with the main rules governing relations between the Audit Committee and the various members of the Company's management.
– The transmission, sufficiently in advance of each Committee meeting, of the documents issued by the Company such as financial communications and internal audit reports.

The main practices that could be improved concern:

– Forward planning of the work to be performed and validation of the issues to be discussed during Committee meetings.
– More detailed reviews of financial information and more in-depth understanding of the internal control system.
– The formulation of questions and comments on specific issues (requests for explanations of assumptions used for calculations and information consistency).
– Detailed analyses of the external auditors' work and follow-up of action to implement their recommendations concerning the internal control system.
– Regular reporting of the status of the Committee's work to the Board of Directors to permit the Board to assess this work.

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 18 April 2013

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 2012.
- Auditors' report on the consolidated financial statements for the year ended 31 December 2012.
- Auditors' special report on agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code.
- Approval of the Company financial statements for the year ended 31 December 2012.
- Approval of the consolidated financial statements for the year ended 31 December 2012.
- Appropriation of profit.
- Re-election of Juan José Brugera Clavero as a director.
- Re-election of Jean-Jacques Duchamp as a director.
- Re-election of Carlos Fernandez-Lerga Garralda as a director.
- Re-election of Aref Lahham as a director.
- Re-election of Pere Viñolas Serra as a director.
- Re-election of Anthony Wyand as a director.
- Re-election of Reig Capital Group Luxembourg SARL as a director.
- Re-election of Jean Arvis as a director.
- Re-election of Jacques Calvet as a director.
- Re-appointment of PricewaterhouseCoopers Audit as Auditor.
- Re-appointment of Anik Chaumartin as substitute Auditor.
- 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 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.
- 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 shares 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.
- Delegation of competence to be given to the Board of Directors to issue securities with rights to debt securities that do not lead to any issue of shares.
- 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.
- Delegation of powers to be given to the Board of Directors to reduce the capital by cancelling treasury shares.
- Powers to carry out formalities.

Annual General Meeting of 18 April 2013

ORDINARY RESOLUTIONS

FIRST ORDINARY RESOLUTION

(Approval of the financial statements for the year ended 31 December 2012)

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 2012 as presented, showing a net loss of €41,971,857.69, 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 2012)

The Annual General Meeting, having considered the Board of Directors' management report and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2012 as presented, as well as the transactions reflected in these accounts and described in the Group management report included in the Board of Directors' management report.

THIRD ORDINARY RESOLUTION

(Appropriation of profit)

The Annual General Meeting:

- Notes that, for the year ended 31 December 2012, the Company reported a loss of €41,971,857.69 after tax and provision charges.

- Resolves, based on the recommendation of the Board of Directors, to:

1. Appropriate the net loss for the year ended 31 December 2012 to:
   - Retained earnings, which will be reduced from €665,411.60 to zero.
   - The share premium account, which will be reduced by €41,306,446.09 from €1,030,629,063.71 to €989,322,617.62.
2. Distribute a dividend of €1.40 per share, representing a total payout of €65,140,563.60, to be deducted from the share premium account, reducing this account from €989,322,617.62 to €924,182,054.02.

In the case of any increase in the number of shares with rights to the 2012 dividend compared with the 46,528,974 shares outstanding at 31 December 2012, the total dividend will be adjusted accordingly by deducting the additional amount required from the share premium account, so that the total deduction corresponds to the actual dividends payable.

Dividends not payable on shares held in treasury stock on the dividend payment date and any dividends waived by shareholders will be credited to retained earnings. The total dividend will be adjusted accordingly.

The dividend will be paid as from 25 April 2013. 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.

The dividend will qualify as a return of capital governed by Article 112-1 of the French Tax Code, with the exception of the portion paid out of the share premium account, which will be qualified for tax purposes as securities income. Of the total dividend of €1.40 per share, €0.61 will qualify as securities income governed by Article 158-3-1 of the French Tax Code (based on 46,528,974 shares) and €0.79 will be classified as a return of capital governed by Article 112-1 of the Code. The part qualified as securities income governed by Article 158-3-1 of the French Tax Code will be paid in full out of profit subject to French corporate income tax.

Effective since 1 January 2013, shareholders no longer have the option of paying a 21% flat-rate withholding tax on dividends paid out of profits on which corporate income tax has been paid. Dividends are therefore taxed at the graduated income tax rate, after applying the 40% tax reduction provided for in Article 158-3.2 of the French Tax Code. In addition, the *prélèvement sociaux* surtaxes are also due at the aggregate rate of 15.5%.

In accordance with Article 119 bis of the French Tax Code, dividends paid to non-resident shareholders will be subject to withholding tax at the rate of 21% (residents of a European Union member state, Iceland, Norway or Liechtenstein) or 30% (other countries). However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries who choose to receive their dividend in cash will be required to provide a certificate of residence to benefit from the treaty rate. The withholding tax rate is 75% when dividends are paid outside France in “uncooperative” countries or jurisdictions.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax, SFL must pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by “SIIC” activities. To avoid the 20% tax, the non-resident shareholder must provide a certificate stating that the dividends paid out of the “SIIC” profits will be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the “SIIC” regime.

Since 17 August 2012, dividends paid out of tax-exempt “SIIC” profits 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.

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	Dividend qualifying for the 40% tax relief	Dividend not qualifying for the 40% tax relief
2009	€2.10	€2.10	€0
2010	€2.10	€2.10	€0
2011	€1.40	€0.39	€1.01

At the General Meeting of 15 November 2012, shareholders approved the payment of a special dividend of €0.70 per share. This dividend qualified for the 40% tax relief.

FOURTH ORDINARY RESOLUTION

(Auditors’ special report on agreements governed by Articles L.225-38 *et seq.* of the Commercial Code)

The Annual General Meeting, having considered the Auditors’ special report on agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code, notes the information contained in the report and approves the agreements referred to therein.

FIFTH ORDINARY RESOLUTION

(Re-election of Juan José Brugera Clavero as a director)

Having noted that Juan José Brugera Clavero’s term of office as a director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2015.

SIXTH ORDINARY RESOLUTION

(Re-election of Jean-Jacques Duchamp as a director)

Having noted that Jean-Jacques Duchamp’s term of office as a director expires at the close of the Meeting, the Annual General Meeting resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2015.

SEVENTH ORDINARY RESOLUTION

(Re-election of Carlos Fernandez-Lerga Garralda as a director)

Having noted that Carlos Fernandez-Lerga Garralda’s term of office as a director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2015.

EIGHTH ORDINARY RESOLUTION

(Re-election of Aref Lahham as a director)

Having noted that Aref Lahham's term of office as a director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect him for a three-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2015.

NINTH ORDINARY RESOLUTION

(Re-election of Pere Viñolas Serra as director)

The Annual General Meeting, having noted that Pere Viñolas Serra's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2015.

TENTH ORDINARY RESOLUTION

(Re-election of Anthony Wyand as a director)

Having noted that Anthony Wyand's term of office as a director expires at the close of the Meeting, the Annual General Meeting resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2015.

ELEVENTH ORDINARY RESOLUTION

(Re-election of Reig Capital Group Luxembourg SARL as a director)

Having noted that Reig Capital Group Luxembourg SARL's term of office as a director expires at the close of this Meeting, the Annual General Meeting resolves to re-elect it 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 2015.

TWELFTH ORDINARY RESOLUTION

(Re-election of Jean Arvis as a director)

The Annual General Meeting, having noted that Jean Arvis's term of office as a director expires at the close of this Meeting, resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2013.

THIRTEENTH ORDINARY RESOLUTION

(Re-election of Jacques Calvet as a director)

The Annual General Meeting, having noted that Jacques Calvet's term of office as a director expires at the close of this Meeting, resolves to re-elect him for a one-year term, expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2013.

FOURTEENTH ORDINARY RESOLUTION

(Re-appointment of PricewaterhouseCoopers Audit as Auditor)

The Annual General Meeting, having noted that the term of PricewaterhouseCoopers Audit as Statutory Auditor expires at the close of the Meeting, resolves to re-appoint PricewaterhouseCoopers Audit as Statutory Auditor for a six-year term, expiring at the close of the Annual General Meeting to be held to approve the 2018 financial statements.

FIFTEENTH ORDINARY RESOLUTION

(Re-appointment of Anik Chaumartin as substitute Auditor)

The Annual General Meeting, having noted that the term of Anik Chaumartin as substitute Auditor expires at the close of the Meeting, resolves to re-appoint Anik Chaumartin as substitute Auditor for a six-year term, expiring at the close of the Annual General Meeting to be held to approve the 2018 financial statements.

SIXTEENTH 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 eighth ordinary resolution of the General Meeting of 19 April 2012 to buy back the Company's shares.

2. To authorise the Board of Directors, in accordance with Articles L.225-209 *et seq.* of the French Commercial Code, Articles 241-1 to 241-6 of the General Regulations of the Autorité des Marchés Financiers and European Commission Regulation 2273/2003 of 22 December 2003 and with the market practices recognised by the Autorité des Marchés Financiers, to buyback shares representing up to 10% of the Company's issued capital as of the date of this Meeting subject to the following restriction:
   – The shares may not be bought back at a price in excess of €55 per share, 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 2012, the total amount invested in the share buyback programme will represent a maximum of €255,909,390 corresponding to 4,652,898 ordinary shares. This maximum may be adjusted to reflect the number of shares outstanding at the date of this Meeting.

3. That the share buyback programme may be carried out over a period of eighteen months from the date of this Meeting.

4. That the share buybacks carried out under this authorisation may not under any circumstances result in the Company holding, directly or indirectly, more than 10% of the shares making up its issued capital.

The authorisation may be used at any time, including while a public offer is in progress provided that said offer is for cash only, on the basis and subject to the restrictions – particularly in terms of volumes and price – specified in the laws and regulations applicable on the transaction date. The transactions may be carried out by any appropriate method, including on the market, through a multilateral trading facility, through a "systematic internaliser" (as defined by the Markets in Financial Instruments Directive) or over-the-counter, through block purchases or sales or otherwise, or through the use of options or other derivative financial instruments or warrants, or through the remittance of shares following the issue of securities carrying rights to shares or the loan or temporary transfer of securities on the basis approved by the securities regulator. The timing of such transactions will be decided by the Board of Directors or by any person duly authorised by the Board. The entire programme may be carried out through a block purchase.

The shares may be bought back for any purpose allowed by law. The objectives of the share buyback programme shall be as follows:

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

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

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

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

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

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

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

The number of shares bought back in order to be held and subsequently delivered in payment or exchange for shares of another company in connection with a merger or demerger may not exceed 5% of the issued capital.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-209 of the French Commercial Code.

5. That the Board of Directors shall have full powers, including the power of delegation, to implement this authorisation, clarify its terms if necessary, and decide the method of implementation in accordance with the law and this resolution. Specifically, the Board of Directors is authorised to place buy and sell orders, enter into any and all agreements for the keeping of registers of purchases and sales or other registers, draw up any and all information and other documents, allocate or re-allocate the bought back shares to any of the above purposes, carry out any and all filing and other formalities with the Autorité des Marchés Financiers and all other organisations, carry out any and all other formalities and generally do whatever is necessary.

SEVENTEENTH 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 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.225-129-2 *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 authorisation given in the first extraordinary resolution of the General Meeting of 9 May 2011.

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 rights to preference shares.

   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.

3. That the securities with rights to ordinary shares issued under this authorisation 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 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.

   The life of debt securities with rights to ordinary shares shall not exceed 50 years, although this authorisation 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.

4. That this authorisation 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 authorisation.

5. That shareholders shall have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under to 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.

6. 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, to decide to abandon any such issue, to 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 or securities with rights to shares, or the shares to be issued upon exercise of the rights attached to the securities with rights to shares, admitted to trading on a regulated market.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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 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 authorisation given in the second extraordinary resolution of the General Meeting of 9 May 2011.

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 a public offer, 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.

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.

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.

3. That the securities with rights to ordinary shares issued under this authorisation 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 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 authorisation 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 authorisation.

5. 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.

6. 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.

7. 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.

8. 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 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.

9. 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, to decide to abandon any such issue, to 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 or securities with rights to shares, or the shares to be issued upon exercise of the rights attached to the securities with rights to shares, admitted to trading on a regulated market.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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 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 authorisation given in the third extraordinary resolution of the General Meeting of 9 May 2011.

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 a 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.

   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.

3. That the number of shares issued 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 will check that the 20% limit has not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

4. That the securities with rights to ordinary shares issued under this authorisation 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 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.

5. That this authorisation 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 authorisation.

6. 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 authorisation.

7. 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, and/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.

8. 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.

9. 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, to decide to abandon any such issue, to 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 or securities with rights to shares, or the shares to be issued upon exercise of the rights attached to the securities with rights to shares, admitted to trading on a regulated market.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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, to:

1. Cancel with immediate effect the unused portion of the authorisation given in the fourth extraordinary resolution of the General Meeting of 9 May 2011.

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 to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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, to:

1. Cancel with immediate effect the unused portion of the authorisation given in the fifth extraordinary resolution of the General Meeting of 9 May 2011.
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 offered for subscription in order to grant a greenshoe option in accordance 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 to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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 authorisation given in the sixth extraordinary resolution of the General Meeting of 9 May 2011.

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 authorisation 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 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 authorisation 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 authorisation.

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 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 or securities with rights to shares, or the shares to be issued upon exercise of the rights attached to the securities with rights to 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 CEO's agreement – to the Managing Director, 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 authorisation given in the seventh extraordinary resolution of the General Meeting of 9 May 2011.

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 transactions 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 authorisation 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 authorisation 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 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 authorisation 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 authorisation.

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 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 or securities with rights to shares, or the shares to be issued upon exercise of the rights attached to the securities with rights to 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 CEO's agreement – to the Managing Director, 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 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

(Delegation of competence given to the Board of Directors to issue securities with rights to debt securities that do not lead to any issue of shares)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2 and L.228-92:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the ninth extraordinary resolution of the General Meeting of 9 May 2011.

2. To grant the Board of Directors a 26-month delegation of competence from the date of this Meeting to issue, on one or several occasions, in France, abroad and/or on the international market, any and all securities with immediate or deferred rights to debt securities, including bonds and equivalents, undated or dated subordinated notes and any other securities conferring – for the same issue – the same claim on the Company.

   The aggregate amount of debt securities issued under this authorisation, directly and indirectly on exercise of the rights attached to the original securities, shall not exceed €2,000,000,000 or the equivalent in foreign currencies or in any monetary unit determined by reference to a basket of currencies. For the purpose of determining whether the above ceiling has been complied with, no account will be taken of any redemption premiums payable on the debt securities.

3. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Carry out said issues within the limit specified above, and decide the timing, type, amount and currency of each such issue.
   - Decide the characteristics of the securities to be issued and of the debt securities to which said securities shall carry rights, including their nominal value, the future or retrospective starting date for interest accruals, the issue price, at par or with a premium, their ranking for repayment purposes, the fixed or floating interest rate and the interest payment date or, in the case of floating rate securities, the method to be used to determine the interest rate, or the basis on which interest will be rolled up.
   - Set, based on market conditions, the repayment and/or early redemption terms of the securities and of the debt securities to which said securities carry rights, including any fixed or variable premium, or the terms on which the securities may be bought back by the Company.
   - If applicable, decide to issue a guarantee or collateral as security for the securities to be issued and the debt securities to which said securities carry rights, and determine the nature and characteristics thereof.
   - Generally, set all the terms and conditions of each issue, enter into any and all agreements, with any and all banks and any and all other organisations, take any and all measures and carry out any and all formalities as required and do whatever else is necessary.

The Board may delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, subject to the limits to be set by the Board.

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 9 May 2011.

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 fraction 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 fraction 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.
   - 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 CEO's agreement – to the Managing Director, 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 authorisation given in the eleventh extraordinary resolution of the General Meeting of 9 May 2011.

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 amount of the 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 Labour Code is at least 10 years. In addition, the total benefit including the pecuniary value of the ordinary shares attributed without consideration, 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 shares and each grant of shares or other securities.
   - Decide that the 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 CEO's agreement – to the Managing Director, 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, to:

1. Authorise the Board of Directors to cancel, on one or several occasions, all or some of the shares held by the Company or that may be held in the future following utilisation of the various buyback authorisations given by the General Meeting to the Board of Directors, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Said 10% limit shall apply to an adjusted number of shares, if necessary to take into account any corporate actions carried out after this Meeting.

2. Authorise the Board of Directors to charge the difference between the cost of the cancelled shares and their par value to any available premium or reserve account.

3. Grant full powers to the Board of Directors – directly or through a representative appointed in accordance with the applicable laws and regulations – to effect the capital reduction(s) resulting from the share cancellations authorised by this resolution, determine and place on record the final amount of the capital reduction(s), record the corresponding accounting entries, amend the Articles of Association to reflect the new capital and generally carry out any and all necessary formalities.

4. Set at 18 months from the date of this Meeting the period of validity of this authorisation, which cancels and replaces all previous authorisations with the same purpose.

THIRTEENTH 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 18 April 2013

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 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 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 delegations will 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 will replace the unused portions of earlier authorisations 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 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 may 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 existing or 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 authorisations will not exceed €100 million.

The Board considers it appropriate to exclude from these authorisations:
- 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 future 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 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 will automatically entail or could entail, depending on the case, the waiver by shareholders of their pre-emptive right to subscribe for any shares issued on exercise of the rights attached to the securities (although shareholders will 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 may 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 – will 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 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.

The life of debt securities with rights to ordinary shares will not exceed 50 years, although the delegation of competence could also be used to issue undated subordinated or unsubordinated notes. The authorisation 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, and they may also be repayable in instalments. In addition, the securities may 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 may stipulate that the securities will be redeemable only after all of the Company's other creditors have been paid, including or excluding holders of participating securities; it may also stipulate a creditor ranking.

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.

c) The terms and conditions under which shareholders' pre-emptive subscription rights may be exercised pro rata to their existing shareholding 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, if appropriate, abroad and/or on the international market.

d) On these bases, the Board of Directors will 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 will 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 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 may delegate the powers granted by shareholders under the first extraordinary resolution to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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 may 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 twenty-six month delegation of competence to issue ordinary shares or securities with rights to 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 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 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 will be capped at €2 billion; this amount will not be cumulative with the amount authorised in the first extraordinary resolution and, as for that resolution, will not include any redemption premiums that may be decided.

   The €2 billion ceiling represents the maximum aggregate authorised amount of issues of debt securities under the first, third, sixth and seventh extraordinary resolutions of this Meeting; however, any issues of debt securities decided or authorised by the Board pursuant to the ninth extraordinary resolution, as provided for in Article L.228-40 of the French Commercial Code, will not be deducted from this ceiling.

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 will 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.

For any securities with rights to ordinary shares issued under the resolution, the issue price will also comply with the laws and regulations in force on the issue date. It 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 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.

On these bases, the Board of Directors will 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 will 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 will 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 may 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 will 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 will 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 may (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 will 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 may 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 may 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 twenty-six month delegation of competence to issue ordinary shares or securities with rights to 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 share issues would be carried out 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 will check that the 20% limit has not been reached during the 12 months preceding a planned issue, taking into account the 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 will be capped at €2 billion; this amount will not be cumulative with the amount authorised in the first extraordinary resolution and, as for that resolution, will not include any redemption premiums that may be decided.

The €2 billion ceiling represents the maximum aggregate authorised amount of issues of debt securities under the first, second, sixth and seventh extraordinary resolutions of this Meeting; however, any issues of debt securities decided or authorised by the Board pursuant to the ninth extraordinary resolution, as provided for in Article L.228-40 of the French Commercial Code, will not be deducted from this ceiling.

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.

For any securities with rights to ordinary shares issued under the resolution, the issue price would also comply with the laws and regulations in force on the issue date. It 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 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.

On these bases, the Board of Directors will 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 will 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 will 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 may 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 will 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 will 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 may (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 will 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 may 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 will 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 authorisation given in the second and third extraordinary resolutions. For these issues, the following pricing rules will apply:

i) 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.

ii) 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 i), adjusted as necessary to take into account differences in cum dividend dates.

This authorisation will give the Board of Directors greater flexibility in pricing public placements of ordinary shares issued without pre-emptive subscription rights, up to a certain amount, and thereby increase the chances of the issue being a success.

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 will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, subject to the limits to be set by the Board. If and when the authorisation given in the fourth extraordinary resolution is used, the Board and the Auditors will 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 will 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 will 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 will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, subject to the limits to be set by the Board.

1.6 ISSUES OF SECURITIES CARRYING THE RIGHT TO DEBT SECURITIES

(ninth extraordinary resolution)

The ninth extraordinary resolution concerns a 26-month delegation of competence to the Board to decide to issue securities with rights to debt securities, as provided for in Articles L.225-129-2 and L.228-92 of the French Commercial Code. These issues, which may be carried out on one or several occasions, in France or abroad and/or on the international market, may consist of bonds and equivalents, dated or undated subordinated notes or any other securities conferring – for the same issue – the same claim on the Company.

The aggregate amount of debt securities issued under this authorisation, directly and indirectly on exercise of the rights attached to the original securities, will be capped at €2 billion or the equivalent in foreign currencies or in any monetary unit determined by reference to a basket of currencies. For the purpose of determining whether the above ceiling has been complied with, no account will be taken of any redemption premiums payable on the debt securities.

I.7 CAPITAL INCREASE TO BE PAID UP BY CAPITALISING RESERVES, PROFITS OR SHARE PREMIUMS

(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 will 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 will 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 issues), 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 may decide that rights to fractions of shares are non-transferable, and that the corresponding shares will be sold, in which case the sale proceeds will be allocated among holders of rights to fractions of shares within the period stipulated in the applicable regulations.

The Board will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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 granted to 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 will 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 will 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, will 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 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 authorisation will be capped at 10% of the Company's capital at the issue date.

Shareholders will 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 is used to issue securities with rights to ordinary shares, shareholders will 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 will 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 will 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 of capital contributions, in the same way as if the transaction had been presented to shareholders for approval (paragraphs 1 and 2 of Article L.225-147 of the Code), and to place on record the capital increases carried out under the resolution. The Board may 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 will 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 will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, subject to the limits to be set by the Board.

II-3 BLANKET CEILING ON THE 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 will 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 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 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 may 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 will be set at 20% or, if the lock-up period provided for in the plan in accordance with Article 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 may 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 will 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 Labour Code.

If shareholders adopt this resolution, they will 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 will 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 will be authorised to delegate its powers to the Chief Executive Officer or – with the CEO's agreement – to the Managing Director, 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 sixteenth 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 sixteenth ordinary resolution or any other share buyback programme and therefore reduce the share capital.

According to the applicable legislation, the Company can only cancel shares representing up to 10% of issued capital in any 24-month period.

Cancellation of authorisations and delegations of competence given at the Extraordinary Meetings of 9 May 2011 and 19 April 2012

If the resolutions tabled at this Meeting are voted by shareholders, the unused portions of the authorisations given to the Board of Directors by the Extraordinary General Meetings of 9 May 2011 and 19 April 2012 will be automatically cancelled.

Activities of the Company since 1 January 2013

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

Annexe 7.8
Portfolio at 31 December 2012

Total portfolio		Surface area (sq.m.)	Offices (useable area, sq.m.)	Retail (useable area, sq.m.)
Owned properties		350,666	241,854	31,401
Properties under finance leases		31,856	27,370	0
Total at 31 December 2012		**382,522**	**269,224**	**31,401**

Owned properties				
1st	LDE-LDA	47,820	28,648	6,680
1st	Mandarin Oriental Paris	17,371		1,332
2nd	îlot Richelieu	33,187	24,430	
2nd	6, rue de Hanovre	4,761	3,064	
7th	103 Grenelle	17,307	15,177	258
8th	Washington Plaza	46,858	39,570	461
8th	Haussmann Saint-Augustin	13,436	11,798	678
8th	Galerie des Champs-Élysées	6,357		6,357
8th	90, avenue des Champs-Élysées	8,936	7,955	981
8th	Ozone - 92, avenue des Champs-Élysées	7,641	4,209	3,396
8th	Cézanne Saint-Honoré	29,252	24,411	1,849
9th	Édouard VII	54,809	28,112	8,025
16th	96 avenue d'Iéna	8,834	7,285	
17th	112 Wagram	5,437	4,470	892
Neuilly-sur-Seine	176, avenue Charles de Gaulle	7,336	5,621	492
Issy-les-Moulineaux	Le Vaisseau	6,332	6,026	
Boulogne-Billancourt	In/Out	34,992	31,078	
	Total	**350,666**	**241,854**	**31,401**

Properties under finance leases				
12th	Rives de Seine	22,671	20,270	
17th	131 Wagram	9,185	7,100	
	Total	**31,856**	**27,370**	**0**

Hotels (useable area, sq.m.)	Cinemas/ Theatres (useable area, sq.m.)	Residential (useable area, sq.m.)	Staff restaurants and other infrastructure (sq.m.)	Common areas and other (sq.m.)	Parking spaces (number)
17,768	8,019	4,740	27,003	19,881	3,242
0	0	0	3,737	749	490
17,768	**8,019**	**4,740**	**30,740**	**20,630**	**3,732**
			3,929	8,563	235
14,643				1,396	
			3,965	4,792	99
			1,697		
			1,872		100
			4,514	2,314	662
			960		104
					260
				36	
		231	1,257	1,504	125
3,125	8,019	4,509	3,019		510
			1,189	360	263
				75	29
			381	842	145
			306		124
			3,914		586
17,768	**8,019**	**4,740**	**27,003**	**19,881**	**3,242**
			2,184	217	366
			1,553	532	124
0	**0**	**0**	**3,737**	**749**	**490**

Consolidated Financial Statements for the Year Ended 31 December 2012

A - Consolidated Statement of Financial Position (P.140)
B - Consolidated Statement of Comprehensive Income (P.142)
C - Consolidated Statement of Changes in Equity (P.143)
D - Consolidated Statement of Cash Flows (P.144)
E - Notes to the Consolidated Financial Statements (P.145)
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The financial statements were approved for publication by the Board of Directors on 14 February 2013.

A – Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 December 2012	31 December 2011	31 December 2010
Intangible assets	6-1	813	423	311
Property and equipment	6-2	23,338	23,774	15,929
Investment properties	6-3	3,528,807	3,181,626	3,059,344
Investments in associates	6-4	286,560	266,106	252,096
Financial assets	6-5	770	6,442	675
Other non-current assets	6-6	5,352	1,803	4,437
Total non-current assets		**3,845,640**	**3,480,175**	3,332,793
Investment properties held for sale	6-7	286,777	360	383
Inventories and work in progress		0	–	–
Trade and other receivables	6-8	59,435	51,608	42,137
Other non-current assets	6-9	1,417	3,579	3,509
Cash and cash equivalents	6-10	24,918	11,498	13,583
Total current assets		**372,547**	**67,045**	**59,613**
Total assets		**4,218,187**	**3,547,220**	**3,392,406**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 December 2012	31 December 2011	31 December 2010
Share capital		93,058	93,058	93,058
Reserves		1,760,385	1,674,351	1,607,493
Profit for the period		283,189	180,891	164,627
Equity attributable to owners of the parent		**2,136,632**	**1,948,300**	**1,865,179**
Non-controlling interests		198,031	89,116	79,155
Total non-controlling interests		**198,031**	**89,116**	**79,155**
Total equity	**6-11**	**2,334,663**	**2,037,416**	**1,944,334**
Long-term borrowings and derivative instruments	6-12	1,507,746	921,978	1,205,143
Long-term provisions	6-13	1,861	1,984	1,894
Deferred tax liabilities	6-14	117,060	63,192	65,413
Accrued taxes	6-15	1,717	2,500	2,183
Other current liabilities	6-16	14,715	13,470	12,901
Total non-current liabilities		**1,643,099**	**1,003,124**	**1,287,534**
Trade and other payables	6-17	42,638	19,519	16,772
Short-term borrowings and other interest-bearing debt	6-12	154,972	449,143	107,185
Short-term provisions	6-13	316	111	150
Other current liabilities	6-18	42,499	37,908	36,430
Total current liabilities		**240,425**	**506,679**	**160,538**
Total equity and liabilities		4,218,187	3,547,220	3,392,406

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2012	2011	2010
Property rentals		150,202	151,599	174,897
Property expenses, net of recoveries		(12,391)	(10,583)	(13,082)
Net property rentals	**6-19**	**137,811**	**141,016**	**161,815**
Service and other revenues	6-20	437	416	346
Other income	6-21	3,581	2,982	4,804
Depreciation and amortisation expense	6-22	(850)	(757)	(964)
Provision (expense)/reversals, net	6-23	(60)	489	(117)
Employee benefits expense	6-24	(11,187)	(11,517)	(12,111)
Other expenses	6-25	(7,252)	(7,262)	(7,145)
Profit on disposal of other assets		0	1	–
Profit/(loss) on disposal of investment properties	6-26	(4)	7,668	(33,860)
Gains and losses from remeasurement at fair value of investment properties	6-27	236,260	98,094	107,030
Operating profit		**358,736**	**231,132**	**219,797**
Share of profits of associates	6-28	20,967	18,703	13,327
Finance costs and other financial expenses	6-29	(70,825)	(62,965)	(58,803)
Financial income	6-29	14,816	13,852	16,064
Gains and losses from remeasurement at fair value of financial instruments	6-30	(16,028)	(4,751)	(4,141)
Discounting adjustments to receivables and payables		(163)	129	(238)
Provision expense, net - financial assets	6-31	0	–	(784)
Profit before income tax		**307,503**	**196,100**	**185,222**
Income tax (expense)/benefit	6-32	(8,050)	(2,964)	(10,182)
Profit for the period		**299,453**	**193,136**	**175,041**
Attributable to owners of the parent		**283,189**	**180,891**	**164,627**
Attributable to non-controlling interests		16,264	12,244	10,413
Other comprehensive income				
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)		(13,076)	(10,156)	12,529
Deferred tax impact of valuation gains and losses on financial instruments taken to equity		(138)	(528)	(496)
Revaluation of owner-occupied property			1,179	
Other comprehensive income		**(13,215)**	**(9,505)**	**12,033**
Comprehensive income		**286,238**	**183,631**	**187,074**
Attributable to owners of the parent		**269,974**	**171,386**	**176,660**
Attributable to non-controlling interests		16,264	12,244	10,413
Earnings per share	6-33	€6.14	€3.89	€3.54

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Other reserves	Other comprehensive income	Profit for the period attributable to owners of the parent	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2010	**93,058**	**1,116,330**	**21,440**	**(19,025)**	**520,522**	**(31,774)**	**164,627**	**1,865,179**	**79,155**
Dividends paid to owners of the parent					(64,478)			(64,478)	
Profit transferred to non-controlling interests									(2,284)
Equity at 1 January 2011 after appropriation of profit	**93,058**	**1,116,330**	**21,440**	**(19,025)**	**456,043**	**(31,774)**	**164,627**	**1,800,700**	**76,872**
Movements for the period									
Profit for the period							180,891	180,891	12,244
Other comprehensive income			1,179			(10,684)		(9,505)	
Comprehensive income	**0**	**0**	**1,179**	**0**	**0**	**(10,684)**	**180,891**	**171,386**	**12,244**
Appropriation of profit		(5)			164,632		(164,627)	0	
Treasury share transactions				(890)				(890)	
Gains and losses on sales of treasury shares				(39)				(39)	
Impact of share-based payments					115			115	
Reclassification of hedging instruments					3,769	5,456		9,225	
Impact of associates					17			17	
Dividend paid out of share premium account		(32,216)						(32,216)	
Equity at 31 December 2011	**93,058**	**1,084,110**	**22,621**	**(19,953)**	**624,577**	**(37,001)**	**180,891**	**1,948,300**	**89,116**
Dividends paid to owners of the parent					(64,475)			(64,475)	
Profit transferred to non-controlling interests									(1,411)
Equity at 1 January 2012 after appropriation of profit	**93,058**	**1,084,110**	**22,621**	**(19,953)**	**560,102**	**(37,001)**	**180,891**	**1,883,825**	**87,705**
Movements for the period									
Profit for the period							283,189	283,189	16,264
Other comprehensive income						(13,215)		(13,215)	
Comprehensive income	**0**	**0**	**0**	**0**	**0**	**(13,215)**	**283,189**	**269,974**	**16,264**
Appropriation of profit		(21,219)			202,110		(180,891)	0	
Treasury share transactions				1,852				1,852	
Gains and losses on sales of treasury shares				(187)				(187)	
Impact of share-based payments					329			329	
Reclassification of hedging instruments						9,645		9,645	
Impact of associates					2,549			2,549	
Dividend paid out of share premium account		(32,262)						(32,262)	
Changes in scope of consolidation						905		905	94,062
Equity at 31 December 2012	93,058	1,030,630	22,621	(18,289)	765,090	(39,666)	283,189	2,136,630	198,031

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2012	2011	2010
Cash flows from operating activities:				
Profit for the period		283,189	180,891	164,627
Gains and losses from remeasurement at fair value of investment properties		(236,260)	(98,094)	(107,030)
Depreciation and amortisation expense		850	137	2,387
Net additions to/(reversals of) provisions		81	51	(919)
Net (gains)/losses from disposals of assets, after tax		4	(7,670)	33,860
Discounting adjustments and valuation (gains)/losses on financial instruments		16,191	4,622	4,379
Deferral of rent-free periods		(1,250)	(10,574)	4,655
Employee benefits		329	115	641
Share of profits of associates		(20,967)	(18,703)	(13,327)
Non-controlling interests in profit for the period		16,264	12,244	10,413
Other movements		0	(671)	–
Cash flow after finance costs and income tax		**58,432**	**62,348**	**99,687**
Finance costs		56,009	49,113	41,681
Income tax		8,050	2,964	10,182
Cash flow before finance costs and income tax		**122,492**	**114,425**	**151,550**
Change in working capital		(12,450)	6,360	(9,400)
Dividends received from associates		3,065	4,723	–
Interest paid		(66,937)	(49,001)	(55,944)
Interest received		2,940	5,096	1,175
Income tax paid		(4,794)	(3,717)	(2,591)
Net cash provided by operating activities		**44,315**	**77,886**	**84,791**
Cash flows from investing activities:				
Acquisitions of and improvements to investment properties		(103,075)	(56,354)	(83,269)
Acquisitions of intangible assets and property and equipment		(4,689)	(7,893)	(3,122)
Acquisitions of subsidiaries, net of the cash acquired	6-36	8,931	–	–
Proceeds from disposals of intangible assets and property and equipment	6-36	(4)	49,795	58,247
Proceeds from disposals of subsidiaries, net of the cash sold		0	–	–
Other cash inflows and outflows		(2)	(99)	(22)
Net cash used by investing activities		**(98,839)**	**(14,550)**	**(28,166)**
Cash flows from financing activities:				
Proceeds from the issue of ordinary shares		–	–	643
Purchases and sales of treasury shares, net		1,664	(929)	(14)
Dividends paid to owners of the parent		(96,737)	(96,693)	(128,907)
Dividends paid to non-controlling interests		(1,411)	(2,284)	(6,277)
Proceeds from new borrowings		1,140,313	867,991	494,821
Repayments of borrowings		(925,173)	(855,071)	(416,140)
Other		(47,489)	1,438	(4,348)
Net cash provided/(used by) by financing activities		**71,167**	**(85,548)**	**(60,224)**
Net change in cash and cash equivalents		**16,644**	**(22,212)**	**(3,599)**
Cash and cash equivalents at beginning of period	6-36	(18,053)	4,159	7,758
Cash and cash equivalents at end of period	6-36	(1,410)	(18,053)	4,159
Net change in cash and cash equivalents		**16,644**	**(22,212)**	**(3,599)**

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) 1606/2002 dated 19 July 2002, the consolidated financial statements have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.

The following new or amended standards had not been adopted by the European Union or were not yet applicable and were not early adopted as of 31 December 2012:

- IFRS 10 – Consolidated Financial Statements,
- IFRS 11 – Joint Arrangements,
- IFRS 12 – Disclosure of Interests in Other Entities,
- IFRS 13 – Fair Value Measurement,
- Amendment to IFRS 7 – Improving Disclosures about Financial Instruments: Offsetting of Financial Assets and Financial Liabilities,
- Amendments to IAS 1 – Presentation of Financial Statements: Presentation of Other Comprehensive Income,
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets,
- Amendment to IAS 19 – Employee Benefits,
- Amendment to IAS 28 – Investments in Associates and Joint Ventures,
- Amendment to IAS 32 – Offsetting of Financial Assets and Financial Liabilities.

The accounting treatment of the companies in the Parholding sub-group, which are qualified as being controlled by the Group following the signature of a new shareholders' pact (see Note 4-3), will not be affected by the application of IFRS 10 and 11.

Application of IFRS 13 will result in investment properties being classified in Level 3 of the fair value hierarchy (fair value determined based on unobservable inputs). Additional disclosures will be provided when IFRS 13 is applied.

1-2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.
The Group has chosen to measure investment properties using the fair value model (see Note 2-3).

1-3) Basis of consolidation

The consolidated financial statements include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same period as those of SFL and have been prepared according to the same accounting policies. Intragroup transactions are eliminated in consolidation.

Subsidiaries are consolidated from the date when control is acquired and are removed from the scope of consolidation when control is transferred outside the Group. When SFL ceases to exercise control over a subsidiary, the consolidated financial statements include the subsidiary's results for the period from the beginning of the year to the date when control is transferred.

Material companies in which SFL exercises exclusive control, pursuant to the terms of a shareholders' pact, through ownership of the majority of voting rights or otherwise, are fully consolidated.

1-4) Joint ventures

Joint ventures are consolidated by the proportional method based on the Group's percentage interest. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The accounting policies applied by joint ventures comply with IFRS and are consistent with the Group's accounting policies.

1-5) Associates

Associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes its share of the associate's profit.

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

1-6) Business combinations

In accordance with IFRS 3 (revised), the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative expenses and other expenses not included in the cost of the business combination are recognised as an expense when incurred.

The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3 are treated as direct acquisitions of the underlying property.

1-7) Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. Transactions in foreign currency are initially recognised in the functional currency by applying the exchange rate on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the closing rate. Translation differences are recognised in the statement of comprehensive income.
SFL does not have any foreign currency transactions.

1-8) Income tax expense

The results of businesses subject to income tax are taxed at the standard rate.
For businesses subject to income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

II - Measurement Methods

2-1) Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
They are amortised by the straight-line method over five years.

2-2) Property and equipment

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Washington Plaza building used by the Group for administrative purposes.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. If the fair value of an asset is less than its carrying amount, an impairment loss is recognised.

The gain or loss arising from derecognition of an item of property or equipment, corresponding to the difference between the net disposal proceeds and the carrying amount of the item, is included in profit when the item is derecognised.

2-3) Investment property

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both.

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. The properties are not depreciated.

The market value of the Group's investment property is determined based on valuations performed by independent experts. The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. It reflects market conditions at the period-end and not those prevailing at any past or future date. It does not reflect future capital expenditure that will improve or enhance the property or the related future benefits from this future expenditure.
No deduction is made for transaction costs that may be incurred on sale or other disposal.

The fair values of investment properties carried in the Group's statement of financial position correspond to the prices obtained from independent valuations performed using the method described below.
Changes in fair value, which are recognised in the statement of comprehensive income under "Gains and losses from remeasurement at fair value of investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

The change in fair value is adjusted to exclude the effects of specific lease terms or provisions recognised under other asset captions and included in the fair value calculation, to avoid these effects being taken into account twice.

Valuation method

SFL's entire property portfolio was valued at 31 December 2012 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.
The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states: "Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:
– Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
– When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
– An independent valuer may serve for no more than two 4-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."

SFL's portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio, as follows (the percentages below are determined on the basis of the Group's share of the total value of the properties, excluding transfer costs):
– CBRE: 28%
– Jones Lang LaSalle: 34%
– BNP Paribas Real Estate: 38%
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, which is the basis used to determine rent increases in France. Each property was analysed in detail, based on the surface of each designated area, lease by lease.
The valuers noted that rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.
Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs for the period until the units are re-let and any rent-free period expected to be granted. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure, except for expenditure that will improve or enhance the property and the related future benefits from this future expenditure, as permitted under paragraph 51 of IAS 40.
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 6.20% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs.

However, given that these appraisal values are essentially estimates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the period-end.

2-4) Recoverable amount of non-current assets

IAS 36 defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.
IAS 36 – Impairment of Assets applies to intangible assets, property and equipment, investments in associates, other financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

At each period-end, the Group assesses whether there is any indication that any assets in the above categories may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.
Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.
The appraisals referred to above serve to identify any impairment of properties or shares in property companies.

2-5) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

2-6) Investment properties held for sale

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

In practice, investment properties are reclassified as held for sale when their sale has been decided by the Board of Directors or a selling agent has been appointed. They continue to be measured at fair value after reclassification.

2-7) Financial instruments (other than derivatives)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognised at fair value.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Marketable securities held by the Group are measured at fair value at the period-end.

2-8) Amounts receivable from tenants and trade receivables

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are recognised on a case-by-case basis for the difference between the receivables' carrying amount and recoverable amount.

2-9) Cash and cash equivalents

Cash and cash equivalents carried in the statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months. They are short-term, highly liquid investments that are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.
Cash equivalents are measured at fair value, in accordance with IAS 39.

2-10) Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, net of directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

2-11) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted.
This applies to the exit tax payable in four annual instalments following election for SIIC status.

Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation. The present value measurement is performed using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

2-12) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the statement of comprehensive income, the provision expense is presented net of the amount recognised for the reimbursement.

2-13) Employee benefits

Long-term benefits consist mainly of length-of-service awards payable to employees on retirement and jubilees.
Long-term employee benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period. The projected benefit obligation is calculated annually based on actuarial assumptions including a retirement age of 65. The calculation parameters are determined separately for each individual company, based on historical experience.

2-14) Treasury shares

Treasury shares are recorded as a deduction from equity.

2-15) Share-based payments (IFRS 2)

Stock options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over their vesting period.

2-16) Finance leases

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is recognised directly in finance costs.
Investment properties acquired under finance leases are measured at fair value at each period-end.

2-17) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange rates). These instruments are measured at fair value at each period-end.
Financial instruments are measured using standard market valuation methods.
For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.
For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.
For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised in profit.
Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument recognised directly in equity is reclassified into profit when the forecast transaction occurs. If the forecast transaction is no longer highly probable, any related gain or loss on the hedging instrument recognised directly in equity is reclassified into profit over the period until the date when the forecast transaction was originally expected to occur.

2-18) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably. The revenue recognition criteria applied by the Group are as follows:

Property rentals

Property rentals from investment properties are recognised on a straight-line basis over the lease term.

Specific lease terms

Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation.

In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step up clauses are recognised over the non-cancellable lease term.

Key money received by the lessor is recognised in property rentals over the non-cancellable lease term.

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in profit on the payment date.

Eviction compensation may be paid to secure the departure of a tenant, either to allow renovation work to be performed or so that the property can be re-let at a higher rent. In both cases this has the effect of increasing the asset's value and the compensation is therefore capitalized as part of the cost of the asset.

Asset sales

Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

2-19) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note 2-3).

All of the Group's financial instruments are measured using standard market valuation models (see Note 2-17).

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 – La Défense	Other	Headquarters	Total
Property rentals	126,589	5,106	18,507	–	150,202
Property expenses, net of recoveries	(10,817)	(185)	(1,388)	–	(12,391)
Net property rentals	**115,771**	**4,921**	**17,119**	**–**	**137,811**
Service and other revenues	–	–	–	437	437
Other income	2,478	135	23	946	3,581
Depreciation and amortisation expense	(434)	–	–	(417)	(850)
Provision (expense)/reversals, net	55	–	(89)	(26)	(60)
Employee benefits expense	–	–	–	(11,187)	(11,187)
Other expenses	–	–	–	(7,252)	(7,252)
Profit/(loss) on disposal of investment properties	(4)	–	–	–	(4)
Gains and losses from remeasurement at fair value of investment properties	225,830	1,790	8,640	–	236,260
Operating profit	**343,696**	**6,846**	**25,693**	**(17,499)**	**358,736**
Share of profits of associates	–	–	20,967	–	20,967
Finance costs and other financial expenses	–	–	–	(70,825)	(70,825)
Financial income	–	–	–	14,816	14,816
Gains and losses from remeasurement at fair value of financial instruments	–	–	–	(16,028)	(16,028)
Discounting adjustments to receivables and payables	–	–	–	(163)	(163)
Provision expense, net - financial assets	–	–	–	–	–
Profit before income tax	**343,696**	**6,846**	**46,660**	**(89,699)**	**307,503**
Income tax (expense)/benefit	(2,745)	–	(1,105)	(4,201)	(8,050)
Profit for the period	**340,951**	**6,846**	**45,555**	**(93,899)**	**299,453**
Attributable to owners of the parent	324,687	6,846	45,555	(93,899)	283,189
Attributable to non-controlling interests	16,264	–	–	–	16,264
Other comprehensive income					
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	–	–	–	(13,076)	(13,076)
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	–	–	–	(138)	(138)
Other comprehensive income	–	–	–	**(13,215)**	**(13,215)**
Comprehensive income	**340,951**	**6,846**	**45,555**	**(107,114)**	**286,238**
Attributable to owners of the parent	324,687	6,846	45,555	(107,114)	269,974
Attributable to non-controlling interests	16,264	–	–	–	16,264

Assets break down as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent – La Défense	Other	Headquarters	Total
Segment assets	3,213,362	257,651	659,067	1,385	4,131,464
Unallocated assets	–	–	–	86,722	86,722
Total assets	**3,213,362**	**257,651**	**659,067**	**88,107**	**4,218,186**

Segment assets correspond to the Group's property assets.

No segment analysis of liabilities is presented, as they correspond primarily to unsecured financing for general corporate purposes and unsecured bonds which are not allocated to any specific segment.

The Group's main geographical segments are as follows:

- • Paris Central Business District: market comprising the Golden Triangle and the Financial District, spanning parts of the 1st, 2nd, 9th, 8th, 16th and 17th arrondissements of Paris. The segment extends from avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue du Sentier and rue du Faubourg-Poissonnière in the east, and from avenue de Villiers and boulevard Malesherbes in the north to rue de Rivoli and the banks of the Seine up to Trocadero in the south.
- Western Crescent: market located to the west of Paris on the other side of the Boulevard Périphérique ring-road, comprising notably Neuilly, Boulogne, Issy-les-Moulineaux and Levallois.
- Other: corresponding to the rest of Paris, outside the Central Business District.

These geographic segments have been defined by the main Paris-based real estate professionals by combining neighbourhoods with similar economic features.

IV - Significant Events of the Period

4-1) Redevelopment and renovation programmes

Redevelopment projects:

- All objections to the building permit for the In/Out project at quai Le Gallo in Boulogne having been extinguished in November 2011, major demolition and construction work began in January 2012 and continued on schedule during the year.
- The remodelled and renovated Ozone building on the corner of avenue des Champs-Élysées and rue de Berri was delivered at the end of the year. With leases signed on the office space during the second half of 2012, the property had been entirely let prior to delivery.
- Remodelling of the building at 81-83, rue de Richelieu began after the building permit was received on 12 July 2012 and no objections were received.

In November 2012, an agreement was signed with the Mandarin Oriental Hotel Group (Paris) for the sale of the building at 251 rue Saint-Honoré (Paris 1) that is occupied by the Mandarin Oriental Paris hotel and two luxury boutiques, Ports 1961 and Dsquared2. The transaction was subject to approval by the shareholders of Mandarin Oriental Hotel Group (Paris) and the Paris city authorities' waiver of their pre-emption right. The sale was agreed at a net price of €290 million.

4-2) Financing

On 25 September 2012, Parholding obtained a €205,800 thousand 5-year secured loan from Natixis, Deka Bank and Deutsche Hypothekenbank, as refinancing for its mortgage debt.

In November 2012, SFL carried out a second €500 million 5-year bond issue at a re-offer price of 3.602% and a coupon rate of 3.50%.

4-3) Full consolidation at 31 December 2012 of Parholding and its subsidiaries

On 26 December 2012, SFL and Prédica – 50/50 partners in Parholding – signed a new shareholders' pact giving the Chairman (designated by SFL) sole power to make fundamental decisions concerning Parholding and its subsidiaries, within the limit of its corporate purpose and subject to decisions already taken by the shareholder committee.

As a result of this change of governance, SFL's proportionate share of Parholding's net assets was derecognised at 31 December 2012 and the Group's acquisition of control of Parholding was recognised as if it had consisted of a business combination, leading to the recognition of non-controlling interests. These successive transactions had no impact on profit (apart from the €0.9 million negative effect of recycling to profit cumulative fair value adjustments to derivative instruments) or on consolidated equity attributable to owners of the parent.

4-4) Tax audits

Contested reassessments

The tax authorities have contested the method used by the Group to calculate provisions for major repairs and the allocation of the value of certain properties between the land and the building.

In 2012, the Supreme Administrative Court of Appeal rejected two appeals by SFL concerning the provisions for major repairs. Following this ruling, income tax expense of €1,257 thousand was recorded and €565 thousand was released from the provision for tax risks.

At the same time, a separate provision for a similar dispute was increased to cover the total risk, estimated at €396 thousand including late interest.

The provision concerning the contested allocation of property values between the land and the building was kept at €137 thousand, corresponding to the total risk including late interest.

Tax audit in progress

In November 2012, the Group was notified of an upcoming tax audit of SC Pargal, a subsidiary of SAS Parholding, covering the years 2010 and 2011.

4-5) Subsequent events

The sale of the property at 251 rue Saint-Honoré (Paris 1) to Mandarin Oriental Hotel Group (Paris) was completed on 8 February 2013 on the terms agreed in November 2012 (see Note 4-1).

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552,040,982	–	–
Fully-consolidated companies			
SA SEGPIM	326,226,032	100	100
SAS Locaparis	342,234,788	100	100
SAS Maud *	444,310,247	100	100
SAS SB2	444,318,398	100	100
SAS SB3	444,318,547	100	100
SCI SB3	484,425,450	100	100
SCI Washington	432,513,299	66	66
SCI 103 Grenelle	440,960,276	100	100
SCI Paul Cézanne	438,339,327	100	100
SAS Parholding	404,961,351	50	50
SC Parchamps	410,233,498	50	50
SC Pargal	428,113,989	50	50
SC Parhaus	405,052,168	50	50
Associated companies accounted for by the equity method			
SIIC de Paris	303,323,778	29.63	29.63

* Formerly SAS SB1.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.45% of the capital at 31 December 2012.

SC Parchar was merged into SC Parchamps with retroactive effect from 1 January 2012. The merger, which was decided at the Extraordinary General Meeting of 14 December 2012, had no impact on the consolidated financial statements.

SAS Parholding, SC Parchamps, SC Pargal and SC Parhaus were fully consolidated at 31 December 2012 (see Note 4-3). These companies were previously consolidated by the proportionate method.

The 2012 merger of SIIC de Paris 8ème into its parent company, SIIC de Paris, diluted the Group's interest in SIIC de Paris by 0.36% compared with 2011.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below.

6-1) Intangible assets

	31 December 2010	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2011
Cost						
Computer software	3,562	71	–	157	–	3,790
Other intangible assets	–	51	–	(20)	–	31
Accumulated amortisation						
Computer software	(3,251)	(148)	–	–	–	(3,399)
Other intangible assets	–	–	–	–	–	–
Carrying amount	**311**	**(26)**	**–**	**138**	**–**	**423**

	31 December 2011	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2012
Cost						
Computer software	3,790	28	–	41	–	3,859
Other intangible assets	31	533	(23)	(41)	–	500
Accumulated amortisation						
Computer software	(3,399)	(148)	–	–	–	(3,547)
Other intangible assets	–	0	–	–	–	–
Carrying amount	**423**	**413**	**(23)**	**–**	**–**	**813**

6-2) Property and equipment

	31 December 2010	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2011
Cost						
Owner-occupied property	16,232	–	–	5,006	–	21,238
Equipment	4,624	2,857	(61)	(3,894)	–	3,527
Accumulated depreciation						
Owner-occupied property	(2,786)	(346)	–	2,893	–	(239)
Equipment	(2,142)	(263)	57	1,596	–	(752)
Carrying amount	**15,929**	**2,249**	**(4)**	**5,600**	**–**	**23,774**

	31 December 2011	Increases	Decreases	Reclassifications	Changes in scope of consolidation	31 December 2012
Cost						
Owner-occupied property	21,238	–	–	–	–	21,238
Equipment	3,527	259	–	–	7	3,793
Accumulated depreciation						
Owner-occupied property	(239)	(434)	–		–	(673)
Equipment	(752)	(268)	–		–	(1,020)
Carrying amount	**23,774**	**(443)**	**–**	**–**	**7**	**23,338**

The appraisal value of owner-occupied property – corresponding to the Company's headquarters – was €29,188 thousand at 31 December 2012 and €23,194 thousand at 31 December 2011.

6-3) Investment property

	31 December 2010	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasure-ment at fair value	Reclassifications	Changes in scope of consolidation	31 December 2011
Fair value								
Investment properties	3,059,344	72,107	106,113	(42,204)	(7,995)	(5,738)	–	3,181,626
Total	**3,059,344**	**72,107**	**106,113**	**(42,204)**	**(7,995)**	**(5,738)**	**–**	**3,181,626**

	31 December 2011	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasure-ment at fair value	Reclassifications	Changes in scope of consolidation	31 December 2012
Fair value								
Investment properties	3,181,626	138,734	200,473	(4)	(6,055)	(244,575)	258,608	3,528,807
Total	**3,181,626**	**138,734**	**200,473**	**(4)**	**(6,055)**	**(244,575)**	**258,608**	**3,528,807**

	31 December 2012	31 December 2011	31 December 2010
Appraisal value of investment properties	3,559,681	3,211,782	3,078,927
Adjustments to reflect specific lease terms	(30,874)	(30,155)	(19,583)
Fair value of investment properties in the statement of financial position	**3,528,807**	**3,181,626**	**3,059,344**

Investment properties are valued by independent experts at half-yearly intervals.

No properties were purchased or sold in 2012, but one property for which the sale had been agreed before the year-end was reclassified in "Assets held for sale" (see Note 4-1).

In addition, the full consolidation of the Parholding sub-group at 31 December 2012 led to the recognition of non-controlling interests in its assets for €258,608 thousand (see Note 4-3).

6-4) Investments in associates

	% interest	31 December 2010	31 December 2011	Dividends received	Profit	Other movements	31 December 2012
SIIC de Paris	29.63	252,096	266,106	(3,065)	22,634	884	286,560
Total		**252,096**	**266,106**	**(3,065)**	**22,634**	**884**	**286,560**

The Group's interest in SIIC de Paris, diluted to 29.63% (see Note V), was valued at €286,560 thousand at 31 December 2012 versus €266,106 thousand at 31 December 2011.

Based on SIIC de Paris's closing share price on 31 December 2012 of €13.47, the market value of the shares was €172,006 thousand.

6-5) Financial assets

	31 December 2010	31 December 2011	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	Effect of full consolidation of Parholding	31 December 2012
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	675	635	2	–	–	–	133	770
Hedging instruments	–	5,806	2,294	–	(8,100)	–	–	–
Total	675	6,442	2,296	–	(8,100)	–	133	770

Provisions maintained in the statement of financial position since 31 December 2010 for impairment of investments in non-consolidated companies concern Groupe Vendôme Rome, which has a negative net worth and has been written down in full.

6-6) Other non-current assets

	31 December 2012	31 December 2011	31 December 2010
Deferred tax assets	12	478	1,866
Other receivables	163	40	463
Prepayments	5,178	1,286	2,108
Total	5,352	1,803	4,437

Deferred tax assets are analysed in Note 6-32.

6-7) Investment properties held for sale

	31 December 2010	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2011
Fair value								
Investment properties held for sale	383	–	11	–	(35)	–	–	360
Total	383	–	11	–	(35)	–	–	360

	31 December 2011	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Acquisitions of subsidiaries	31 December 2012
Fair value								
Investment properties held for sale	360	–	41,907	–	(65)	244,575	–	286,777
Total	360	–	41,907	–	(65)	244,575	–	286,777

	31 December 2012	31 December 2011	31 December 2010
Appraisal value of investment properties held for sale	290,305	360	383
Adjustments to reflect specific lease terms	(3,528)		
Fair value of investment properties held for sale carried in the statement of financial position	286,777	360	383

On 29 November 2012, an agreement was signed for the sale of the property at 251 rue Saint-Honoré. As a result, the property was reclassified as “held for sale” at 31 December 2012 (see Note 4-1).

6-8) Trade and other receivables

	31 December 2012			31 December 2011	31 December 2010
	Total	Due within one year	Due in more than one year	Total	Total
Trade receivables	43,785	13,540	30,245	35,739	27,947
Provisions	(2,327)	0	(2,327)	(2,456)	(3,075)
Trade receivables	**41,458**	**13,540**	**27,918**	**33,284**	**24,871**
Prepayments to suppliers	40	40	–	228	273
Employee advances	44	44	–	43	32
Tax receivables (other than income tax)	16,302	16,302	–	12,076	11,321
Other operating receivables	1,305	1,305	–	5,726	5,383
Other receivables	285	285	–	251	256
Other receivables	**17,977**	**17,977**	**–**	**18,324**	**17,266**
Total	59,435	31,517	27,918	51,608	42,137

Receivables include €36,919 thousand (of which €26,722 thousand reported under non-current assets) corresponding to the impact of rent-free periods and other special lease terms that is deferred over the non-cancellable lease term in accordance with IFRS.

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	31 December 2012	31 December 2011	31 December 2010
Increases	(103)	(14)	(902)
Reversals	231	553	156
Bad debt write-offs, net of recoveries	(120)	(14)	(68)
Total	8	526	(814)
Property rentals	150,202	151,599	174,897
Net losses as a % of property rentals	-0.01%	-0.35%	0.47%

6-9) Other current assets

	31 December 2012	31 December 2011	31 December 2010
Accrued interest on hedging instruments	0	138	-
Income tax prepayments	967	2,609	2,796
Other prepayments	450	831	713
Total	1,417	3,579	3,509

6-10) Cash and cash equivalents

	31 December 2012	31 December 2011	31 December 2010
Cash at bank and in hand	5,625	3,231	3,662
Short-term investments	19,293	8,266	9,921
Total	24,918	11,498	13,583

Short-term investments are measured at fair value. They break down as follows:

	31 December 2012	31 December 2011	31 December 2010
Rothschild money market fund	1,077	500	1,418
Société Générale money market fund	–	–	–
HSBC money market fund	–	4,907	5,505
Crédit Agricole money market fund	2,967	2,859	2,998
Natixis marketable securities	15,249		
Total	19,293	8,266	9,921

6-11) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

	31 December 2010	31 December 2011	Increases	Decreases	31 December 2012
Number of shares	473,611	498,482	87,202	144,434	441,250
Average purchase/sale price, in euros	€55.49	€54.51	€33.95	€33.32	€57.38
Total, in thousands of euros	26,283	27,173	2,960	(4,812)	25,321

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

6-12) Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion			Short-term portion		
			31 December 2012	31 December 2011	31 December 2010	31 December 2012	31 December 2011	31 December 2010
Bonds								
2011 €500m issue	4.625%	25-May-16	500,000	500,000	–	14,002	14,196	–
2012 €500m issue	3.50%	28-Nov-17	500,000	–	–	1,630	–	–
Bank loans								
Natixis 2005 syndicated loan	3-month Euribor+0.40% (end of drawdown period)	26-Jan-12	–	–	180,000	–	200,026	18
Natixis 2010 syndicated loan	3-month Euribor+2.15% (end of drawdown period)	17-Dec-15	45,000	40,000	200,000	64	209	265
BNP-Paribas syndicated loan	3-month Euribor+2.70% (end of drawdown period)	8-Oct-14	–	–	265,000	–	–	1,844
HSBC/CA-CIB/CFF loan	3-month Euribor+2.50% (29th of last month of the quarter)	29-Dec-12	–	–	76,105	–	76,130	3,461
BancoSabadell loan	3-month Euribor+0.60% (calendar quarter end)	28-Feb-12	–	–	50,000	–	50,005	2
€150m BECM revolving facility	1-month Euribor+0.55% (end of drawdown period)	4-May-14	150,000	150,000	150,000	3	15	25
Royal Bank of Scotland	3-month Euribor+0.56% (calendar quarter end)	31-Oct-13	–	40,800	40,800	40,801	4	2
€50m Deutsche Hypo revolving facility	3-month Euribor+0.55% (end of drawdown period)	23-Oct-12	–	–	50,000	0	50,011	23
Cadif loan	1-month Euribor+0.80% (end of drawdown period)	31-Dec-13	–	–	–	15,002	15,008	15,010
Natixis-Deka-Deutsche Hypo	3-month Euribor+1.85% (calendar quarter end)	25-Sep-17	204,257	–	–	2,010	–	–
Lease liabilities								
131, Wagram	3-month Euribor+2% (calendar quarter end)	14-Jun-16	32,851	35,641	38,431	2,790	2,790	2,790
Quai le Gallo	3-month Euribor+0.75% (calendar quarter end)	12-Jul-11	–	–	54,521	–	–	3,937
Rives de Seine	6-month Euribor+0.75% (29 April and 29 October)	29-Oct-13	–	53,668	65,021	53,668	11,353	10,884
Hedging instruments with a negative fair value								
CA-CIB swap	2.2180%	29-Dec-12	–	–	1,311	–	863	7
BNP-Paribas swap	2.3750%	31-Mar-12	–	–	779	–	123	2
JPMorgan swap	12-month Euribor+1.4150% with 5.0850% cap	11-Oct-12	–	21,456	29,234	–	1,865	2,495
CA-CIB swap	3.7850%	23-May-11	–	–	–	–	–	1,379
RBS swap	3.8900%	31-Oct-13	–	2,158	2,573	1,279	6	7
BNP-Paribas swap	2.2300%	30-Nov-12	–	1,792	1,320	0	3	2
HSBC swap	2.1720%	31-Mar-16	2,982	1,793	1,320	3	3	2
Cadif swap	1.6550%	31-Mar-11	–	–	–	–	–	80
HSBC swap	2.3050%	30-Jun-16	6,775	4,120	2,810	6	7	5
BNP-Paribas swap	1.8600%	30-Nov-12	–	1,103	940	–	3	2
CA-CIB swap	2.5300%	30-Nov-12	–	3,806	–	–	–	–
Cadif swap	2.1750%	30-Nov-12	–	4,135	–	–	–	–
CA-CIB swap	2.5000%	30-Nov-12	–	5,576	–	–	–	–
HSBC swap	1.9500%	30-Nov-12	–	4,323	–	–	–	–
CM-CIC swap	1.8460%	2-Jan-17	5,607	1,653	–	411	–	–
Natixis - Deka - Nord LB swap	0.8825%	25-Sep-17	2,759	–	–	219	–	–
Bank overdrafts	Various		–	–	–	26,327	29,464	9,424
Current account advances	Various		68,888	57,557	–	1,398	322	57,544
Impact of deferred recognition of debt arranging fees			(11,373)	(7,603)	(5,022)	(4,641)	(3,263)	(2,025)
Total			**1,507,746**	**921,978**	**1,205,143**	**154,972**	**449,143**	**107,185**

The following table analyses borrowings by maturity:

	31 December 2012	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2011
Syndicated loans	45,064	64	45,000	–	240,235
Bonds	1,015,632	15,632	1,000,000	–	514,196
HSBC/CA-CIB/CFF loan	–	–	–	–	76,130
BancoSabadell loan	–	–	–	–	50,005
BECM revolving facility	150,003	3	150,000	–	150,015
Royal Bank of Scotland loan	40,801	40,801	–	–	40,804
Deutsche Hypo loan	–	–	–	–	50,011
Natixis-Deka-Deutsche Hypo loan	206,267	2,010	204,257	–	0
Lease financing	89,309	56,458	32,851	–	103,452
CADIF loan	15,002	15,002	–	–	15,008
Current account advances (liabilities)	70,286	1,398	68,888	–	57,879
Deferred debt arranging fees	(16,014)	(4,641)	(11,373)	–	(10,866)
CA-CIB swap at 2.218%	–	–	–	–	863
BNP Paribas swap at 2.375%	–	–	–	–	123
JPMorgan swap	–	–	–	–	23,321
Natixis - Deka -Nord LB swaps	2,978	219	2,759	–	0
RBS swap at 3.89%	1,279	1,279	–	–	2,164
BNP Paribas swap at 2.23%	–	–	–	–	1,795
HSBC swap at 2.172%	2,985	3	2,982	–	1,796
HSBC swap at 2.305%	6,781	6	6,775	–	4,127
BNP Paribas swap at 1.86%	–	–	–	–	1,106
CA-CIB swap at 2.53%	–	–	–	–	3,806
CADIF swap at 2.175%	–	–	–	–	4,135
CA-CIB swap at 2.50%	–	–	–	–	5,576
HSBC swap at 1.95%	–	–	–	–	4,323
CM-CIC swap at 1.846%	6,018	411	5,607	–	1,653
Bank overdrafts	26,327	26,327	–	–	29,464
Total	**1,662,718**	**154,972**	**1,507,746**	**–**	**1,371,121**

At 31 December 2012, SFL had access to confirmed undrawn lines of credit representing €605,000 compared with €610,000 thousand at 31 December 2011.

Current account advances correspond to Prédica's minority interest in SCI Washington and SAS Parholding.

Hedging instruments are presented at their fair value plus accrued interest payable as of 31 December 2012.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 31 December 2012	Actual ratios at 31 December 2011	Acceleration clauses[1]
NATIXIS 2010 SYNDICATED LOAN	Loan-to-value (LTV) <= 50%	38.0%	36.6%	Payment default Cross default
	Interest cover >= 2	2.2	2.6	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	8.2%	6.5%	Breach of financial covenants
	Unrestricted property portfolio value >= €2bn	€3.1bn	€2.8bn	Material adverse event
BNP PARIBAS SYNDICATED LOAN	LTV <= 50%	38.0%	36.6%	Payment default Cross default
	Interest cover >= 2	2.2	2.6	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	8.2%	6.5%	Breach of financial covenants Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	€3.1bn	€2.8bn	Material adverse event
BECM revolving facility	LTV <= 50%	42.2%	42.0%	Payment default Cross default
	Interest cover >= 2	2.2	2.6	Termination of operations Bankruptcy proceedings
	Secured LTV <20%	8.6%	6.8%	Breach of financial covenants Loss of SIIC status
	Property portfolio value > €2bn	€3.9bn	€3.2bn	Change of control Material adverse event
	Total surface area/Surface area under renovation < 30%	26.3%	17.1%	
RBS loan	LTV <= 50%	42.2%	42.0%	Payment default Cross default
	Interest cover >= 2	2.2	2.6	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	8.6%	6.8%	Breach of financial covenants Change of control
	Unrestricted property portfolio value >= €1bn	€3.5bn	€3bn	Material adverse event

(1) Summary list.

The Group was not in breach of any of its financial covenants at 31 December 2012.

6-13) Short and long-term provisions

	31 December 2010	31 December 2011	Increases	Decreases	o/w utilisations	Reclassi-fications	31 December 2012
Provisions for refurbishment work and tenant claims	–	–	–	–			–
Provisions for taxes other than on income	780	1,137	396	(565)	(565)		968
Provisions for employee benefits	1,114	847	91	(46)			893
Other provisions	–	–	–	–			–
Provisions for warranties	–	–	–	–			–
Long-term provisions	**1,894**	**1,984**	**487**	**(611)**	**(565)**	**–**	**1,861**
Provisions for refurbishment work and tenant claims	150	111	55	–			166
Provisions for taxes other than on income	–	–	–	–			–
Provisions for employee benefits	–	–	150	–			150
Other provisions	–	–	–	–			–
Provisions for warranties	–	–	–	–			–
Short-term provisions	**150**	**111**	**205**	**–**	**–**	**–**	**316**
Total	2,044	2,095	692	(611)	(565)	–	2,176

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €893 thousand.

The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.15% and a 2.00% rate of future salary increases. Actuarial gains and losses are recognised in profit.

The Group's employee benefits plans are as follows:

– Length-of-service awards payable to employees on retirement: the lump sum benefit payable under this plan is specified in a corporate agreement signed with employee representatives.
– Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
– Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €27 thousand at 31 December 2012 and €18 thousand at 31 December 2011.

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.

6-14) Deferred taxes

See Note 6-32.

6-15) Other long-term tax liabilities

This item corresponds mainly to the exit tax due as a result of the early exercise, in 2011, of the finance lease purchase option on the Quai Le Gallo property in Boulogne. The €3.7 million tax liability is payable in four annual instalments between 2012 and 2015 and has been discounted.

Due	2014	2015	Total
Amount payable	874	843	1,717

6-16) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

6-17) Trade and other payables

	31 December 2012	31 December 2011	31 December 2010
Trade payables	5,297	7,066	5,639
Amounts due within one year on asset acquisitions	37,341	12,453	11,133
Total	42,638	19,519	16,772

At 31 December 2012, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including 92 avenue des Champs-Élysées, 82/88 avenue des Champs-Élysées and 46 quai Le Gallo in Boulogne.

6-18) Other current liabilities

Other current liabilities break down as follows:

	31 December 2012	31 December 2011	31 December 2010
Deposits	1,515	1,484	1,484
Customer prepayments	15,978	19,134	16,583
Accrued employee benefits expense	5,611	5,253	5,012
Accrued taxes	7,172	6,549	4,210
Other liabilities	3,600	2,672	5,630
Accruals	8,623	2,816	3,510
Total	42,499	37,908	36,430

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

The amounts reported under "Accruals" correspond to deferred revenue.

6-19) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 97.4% of property rentals. Net property rentals take into account the positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In 2012, this impact was €1,250 thousand.

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

At 31 December 2012, in € thousands	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Future minimum lease payments	691,339	152,004	393,136	146,200

	2012	2011	2010
Property rentals	**150,202**	**151,599**	**174,897**
Property operating expenses	(39,720)	(37,915)	(41,949)
Property expenses recovered from tenants	27,329	27,332	28,868
Property expenses, net of recoveries	**(12,391)**	**(10,583)**	**(13,082)**
Net property rentals	137,811	141,016	161,815

6-20) Service and other revenues

Service and other revenues amounted to €437 thousand in 2012, compared with €416 thousand in 2011.

6-21) Other income

	2012	2011	2010
Own-work capitalised	908	452	351
Other income	2,673	2,530	4,453
Total	3,581	2,982	4,804

The caption "Other income" corresponds to work billed to third parties and redevelopment project management fees.

6-22) Depreciation and amortisation expense

	2012	2011	2010
Amortisation of intangible assets	(148)	(148)	(171)
Depreciation of property and equipment	(702)	(609)	(794)
Total	(850)	(757)	(964)

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns owner-occupied property (corresponding to the Group's headquarters) and miscellaneous equipment.

6-23) Provision (expense)/reversals, net

	2012	2011	2010
Charges to provisions for operating contingencies and charges	(146)	(111)	(85)
Charges to provisions for impairment of current assets	(103)	(14)	(902)
Charges to provisions for other contingencies and charges	(546)	(1,000)	(100)
Total charges	(796)	(1,124)	(1,086)
Reversals of provisions for operating contingencies and charges	46	417	286
Reversals of provisions for impairment of current assets	125	553	156
Reversals of provisions for other contingencies and charges	565	643	527
Total reversals	736	1,613	969
Net	(60)	489	(117)

6-24) Employee benefits expense

	2012	2011	2010
Wages and salaries	(6,601)	(7,465)	(7,185)
Social security taxes	(2,848)	(2,963)	(2,792)
Death and disability insurance	(72)	(69)	(64)
Other payroll taxes	(649)	(657)	(724)
Other employee benefits	(329)	(115)	(641)
Statutory and discretionary profit-sharing	(688)	(248)	(705)
Total	(11,187)	(11,517)	(12,111)

At 31 December 2012, the Group had 78 administrative employees, compared with 81 at 31 December 2011, and 2 building employees, unchanged from the previous year-end.

The remuneration paid to Company directors and officers (including bonuses, benefits in kind and corporate savings plan rights) amounted to €2,695 thousand in 2012 and €3,173 thousand in 2011.

Stock option plans at 31 December 2012

Date of shareholder authorisation	17/10/1997	16/05/2002	21/04/2005
Grant date	21/03/2002	25/04/2003	13/03/2007
Number of shares under option	309,000	346,000	273,000
Issuer	SFL	SFL	SFL
Starting date of exercise period	21/03/2002	25/04/2003	13/03/2007
Expiry date	20/03/2012	24/04/2013	12/03/2015
Exercise price (options exercisable for newly-issued shares)			
Exercise price (options exercisable for shares bought back for this purpose)	€27.22	€25.88	€60.11
Number of options at 1 January	3,063	35,469	233,748
Options granted during the period	0	0	4,670
Options exercised during the period	3,063	35,469	0
Options cancelled during the period	0	0	4,083
Number of options outstanding at 31 December 2012	0	0	234,335

To calculate the cost of the stock option plans, the options were valued at the grant date using the Black & Scholes method.

Details of performance share plans at 31 December 2012

	Plan 1	Plan 2
Date of shareholder authorisation	09/05/2011	09/05/2011
Grant date	16/02/2012	16/02/2012
End of vesting period	31 December 2014	31 December 2013
Expected vesting rate	70.83%	70.83%
Target number of shares	32,988	13,678
Number of performance share rights expected to vest	23,366	9,688
Fair value per share	€29.08	€30.97
Number of performance share rights expected to vest at 31 December 2012	23,366	9,688

The total cost of each performance share plan is calculated by multiplying the number of performance share rights that are expected to vest by the fair value per share.
The number of performance share rights that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate. The estimated vesting rate is 70.83%.
The fair value of the performance shares is determined using the Capital Asset Pricing Model (CAPM), based on the share price on the grant date, adjusted for the discounted present value of future dividends payable during the vesting period.
The total cost calculated as explained above is recognised on a straight-line basis over the vesting period.

The cost of performance share plans recognised in 2012 amounted to €329 thousand (excluding specific employer contributions).

6-25) Other expenses

	2012	2011	2010
Purchases	(128)	(133)	(109)
General subcontracting	(285)	(239)	(338)
Rent (operating leases)	(1,147)	(1,258)	(1,065)
Maintenance and repairs	(176)	(188)	(205)
Fees	(1,748)	(1,775)	(1,903)
Publications and public relations	(883)	(892)	(620)
Bank charges	(270)	(285)	(270)
Taxes other than on income	(1,225)	(1,376)	(1,205)
Travel and entertainment	(353)	(355)	(306)
Non-recurring expenses	(198)	87	(250)
Other	(839)	(847)	(874)
Total	(7,252)	(7,262)	(7,145)

6-26) Profit/(loss) on disposal of investment properties

During the period, additional disposal costs were recognised in an amount of €4 thousand. No investment properties were sold during the period.

6-27) Gains and losses from remeasurement at fair value of investment properties

Details of gains and losses from remeasurement of investment properties at fair value are provided in Notes 6-3 and 6-7.

6-28) Share of profits of associates

This item, in an amount of €20,967 thousand, corresponds to SFL's share of SIIC de Paris's profit for the period, net of dilution costs.

6-29) Finance costs and other financial income and expenses

	2012	2011	2010
Interest on loans	(43,544)	(39,015)	(19,201)
Interest on lease liabilities	(2,489)	(3,952)	(3,961)
Interest on external current account advances	(1,434)	(2,020)	(1,598)
Hedging losses	(19,765)	(15,285)	(31,927)
Other financial expenses	(3,594)	(2,693)	(2,117)
Finance costs and other financial expenses	**(70,825)**	**(62,965)**	**(58,803)**
Interest income	9	5	0
Net gains on sales of short-term investments	77	142	100
Financial expense transfers	12,014	8,755	14,788
Hedging gains	1,813	782	-
Other financial income	904	4,168	1,175
Financial income	**14,816**	**13,852**	**16,064**
Finance costs and other financial income and expenses, net	(56,009)	(49,113)	(42,739)

Finance costs, net for 2011 and 2010 have been recalculated to exclude interest on receivables that is now reported under "Other financial income".

Financial expense transfers primarily correspond to interest capitalised at the rate of 4.61% on the properties at 92 avenue des Champs-Élysées (Ozone), 46 quai Le Gallo in Boulogne (In/Out) and 81-83 rue de Richelieu during their redevelopment.

6-30) Financial instruments

Financial risk management objectives and policy

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

1/ Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. On 28 November 2012, SFL issued €500 million worth of five-year 3.50% bonds due 28 November 2017, using the proceeds to meet the Group's short-term refinancing needs as well as to support its development. Thanks to the bond issue, SFL had continued access to €605 million in undrawn confirmed lines of credit at 31 December 2012. As a result, the Group is more than able to meet its refinancing needs through to the end of 2014 and once more enjoys an average debt maturity profile of around four years. At 31 December 2012, the average refinancing spread, excluding the bond issues, stood at 127 basis points. With a healthy loan-to-value ratio and high-quality property assets, SFL is in a position to raise additional resources if the need arises.

2/ Counterparty risk

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

3/ Market risk

SFL had no exposure to currency risks at 31 December 2012.
Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with fluctuations in financial parameters.

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 and intrinsic interest rate levels all influence the choice of hedging instruments.
At least 70% of borrowings are hedged over average periods that are aligned as closely as possible with debt maturities while keeping hedging costs at a reasonable level.
At 31 December 2012, 96% of debt was hedged against interest rate risks.

b/ Risk assessment

The average spot cost of debt after hedging stood at 3.60% at 31 December 2012, versus 4.18% at 31 December 2011.
A 50-basis point rise in interest rates across the yield curve in 2012 would have had the effect of increasing the average cost of debt to 3.63%, driving up finance costs by €500 thousand or 0.7%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 3.57%, and reduced finance costs by €443 thousand or 0.6%.

As for the sensitivity of the Group's hedging instruments at 31 December 2012, a 50-basis point increase in interest rates would improve their fair value by €8,605 thousand (€15,514 thousand at 31 December 2011), while a 50-basis point drop in rates would have a negative impact of €8,833 thousand (€16,554 thousand at 31 December 2011).

Risk interest rate

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

Interest rate hedges	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 Hypo swap at 0.8825%	–	–	–	–	185,220	–	185,220
RBS swap at 3.89%	40,800	–	–	–	–	–	40,800
HSBC swap at 2.172%	–	–	–	50,000	–	–	50,000
HSBC swap at 2.3050%	–	–	–	100,000	–	–	100,000
CM-CIC swap at 1.8460%	–	–	–	–	100,000	–	100,000
Total	40,800	–	–	150,000	285,220	–	476,020

Floating rate debt	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
Syndicated loans	–	–	45,000	–	–	–	45,000
BECM revolving facility	–	150,000	–	–	–	–	150,000
RBS loan	40,800	–	–	–	–	–	40,800
Natixis–Deka–Deutsche Hypo 0.8825% loan	1,286	2,058	2,315	3,087	196,797	–	205,543
Lease liabilities	56,458	2,790	2,790	27,271	–	–	89,309
Current account advances	–	68,888	–	–	–	–	68,888
CADIF loan	15,000	–	–	–	–	–	15,000
Total	113,544	223,736	50,105	30,358	196,797	–	614,540

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 2012 and 31 December 2016:

	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016
Syndicated loans	45,000	45,000	45,000	–	–
BECM revolving facility	150,000	150,000	–	–	–
RBS loan	40,800	–	–	–	–
Natixis–Deka–Deutsche Hypo loan	205,543	204,257	202,199	199,884	196,797
Lease liabilities	89,309	32,851	30,061	27,271	–
Current account advances	68,888	68,888	–	–	–
CADIF loan	15,000	–	–	–	–
Total floating rate debt	614,540	500,996	277,260	227,155	196,797
Natixis-Deka-Deutsche Hypo swap at 0.8825%	185,220	185,220	185,220	185,220	185,220
RBS swap at 3.89%	40,800	–	–	–	–
HSBC swap at 2.172%	50,000	50,000	50,000	50,000	–
HSBC swap at 2.3050%	100,000	100,000	100,000	100,000	–
CM-CIC swap at 1.8460%	100,000	100,000	100,000	100,000	100,000
Total interest rate hedges	476,020	435,220	435,220	435,220	285,220
Net unhedged position	138,520	65,776	(157,960)	(208,065)	(88,423)

Accounting treatment of hedging instruments

Following the 3.50% bond issue carried out on 28 November 2012, several interest rate swaps were unwound to avoid the Group's interest rate exposure being overhedged.

The net change in value of hedging instruments between 31 December 2011 and 31 December 2012 was €27,692 thousand in SFL's favour.
The change reflected:

- The unwinding of the interest rate swaps (see above), leading to the payment of cash settlements representing a net €47,469 thousand.
- The full consolidation of Parholding at 31 December 2012, which had a €2,759 thousand negative impact on the carrying amount of hedging instruments, of which €1,380 thousand recorded as an expense in the statement of comprehensive income.
- €13,076 thousand in fair value adjustments deducted from equity and €3,942 thousand recognised as an expense in the statement of comprehensive income along with the gains and losses referred to below.

When a hedging relationship is discontinued, it no longer qualifies for hedge accounting and any subsequent changes in fair value of the hedging instrument are recognized directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.
In 2012, cumulative losses of €10,706 thousand were reclassified to the statement of comprehensive income.

The total impact of these items on 2012 profit was therefore a negative €16,028 thousand.

Hedging portfolio

i. General hedges of floating rate debt

Counterparty: RBS. *Description:* cash flow hedge. This 7-year swap on a notional amount of €40,800 thousand came into effect on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2012, the contract had a negative fair value of €1,274 thousand.

Counterparty: HSBC. *Description:* cash flow hedge. This swap on a notional amount of €50,000 thousand was set up on 7 May 2009 as a hedge of identified debt. It was restructured on 1 January 2012 and expires on 31 March 2016. SFL pays a fixed rate of 2.1720%. At 31 December 2012, the contract had a negative fair value of €2,982 thousand.

Counterparty: HSBC. *Description:* cash flow hedge. This swap on a notional amount of €100,000 thousand was set up on 8 July 2009 as a hedge of identified debt. It was restructured on 1 January 2012 and expires on 30 June 2014. SFL pays a fixed rate of 2.3050%. At 31 December 2012, the contract had a negative fair value of €6,775 thousand.

Counterparty: CIC-CM. *Description:* cash flow hedge. This swap on a notional amount of €100,000 thousand came into effect on 2 January 2012 as a hedge of identified debt and expires on 2 January 2017. SFL pays a fixed rate of 1.846%. At 31 December 2012, the contract had a negative fair value of €5,607 thousand.

ii. Interest rate hedges on the financing of the Parholding portfolio

Counterparty: Natixis/Deka/Deutsche Hypothekenbank. *Description:* cash flow hedge. This swap on a notional amount of €185,220 thousand came into effect on 25 September 2012 as a hedge of identified debt and expires on 25 September 2017. SFL pays a fixed rate of 0.8825%.
At 31 December 2012, the contract had a negative fair value of €2,759 thousand.

Measuring hedging instruments

All SFL's hedging instruments are classified in Level 2 of the fair value hierarchy. Their fair values are estimated based on inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) on active and liquid markets. At 31 December 2012, hedging instruments had a total negative fair value of €19,399 thousand.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2012 was €1,053,450 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	Fair value
May 2011 bonds	500,000	May 2016	535,750
November 2012 bonds	500,000	November 2017	517,700
			1,053,450

6-31) Provision expense, net - financial assets

There were no movements on provisions on financial assets in 2012.

6-32) Income tax expense

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases arranged prior to 1 January 2005. Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deferred taxes	Statement of financial position 31 December 2010	Statement of financial position 31 December 2011	Changes in scope of consolidation	Reclassi-fications	Equity	Statement of comprehensive income 2012	Statement of financial position 31 December 2012
Gains and losses from remeasurement at fair value of investment properties	(59,994)	(57,311)	(44,876)	–	–	(3,784)	(105,971)
Hedging instruments	824	295	475	–	(295)	475	950
Adjustment of depreciation	(2,628)	(3,462)	(4,384)	–	–	(924)	(8,770)
Adjustment of property rentals	(2,427)	(2,055)	(867)	–	–	383	(2,539)
Capitalisation of interest expense and transaction costs	(231)	(231)	(233)	–	–	–	(464)
Recognition of deferred tax assets for tax loss carryforwards	1,030	170	–	–	–	(170)	–
Other	(120)	(120)	(133)	–	–	–	(253)
Net	(63,547)	(62,713)	(50,018)	–	(295)	(4,020)	(117,046)
Of which: deferred tax assets	1,866	478	475	(950)	(295)	305	13
Of which: deferred tax liabilities	65,413	63,192	50,493	(950)		4,325	117,060

Current income tax expense for the year amounted to €4,030 thousand, including €968 thousand corresponding to the 3% tax due on the distribution paid in November 2012.

Changes in the scope of consolidation correspond to the impact of applying the full consolidation method to Parholding at 31 December 2012 (see Note 4-3).

6-33) 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.

	2012	2011	2010
Profit used to calculate basic earnings per share	283,189	180,891	164,627
Number of ordinary shares at 31 December	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(441,250)	(498,482)	(473,611)
Number of ordinary shares at 31 December excluding treasury shares	**46,087,724**	**46,030,492**	**46,055,363**
Earnings per share	€6.14	€3.89	€3.54
Weighted average number of ordinary shares	46,528,974	46,528,974	46,528,974
Number of treasury shares at 31 December	(441,250)	(498,482)	(473,611)
Weighted average number of ordinary shares excluding treasury shares	**46,087,724**	**46,030,492**	46,055,363
Basic earnings per weighted average share	€6.14	€3.89	€3.54

There were no other transactions on ordinary shares or potential ordinary shares between the year-end and the date when these financial statements were drawn up.

6-34) Dividends

	2012		2011		2010	
	Total	Per share	Total	Per share	Total	Per share
Declared dividend for prior year	65,141	€1.40	97,711	€2.10	97,662	€2.10
Prior year interim dividend	0	€0.00	32,239	€0.70	–	–
Prior year dividend paid in current year	64,475	€1.40	64,478	€1.40	96,668	€2.10
Total	64,475	€1.40	96,717	€2.10	96,668	€2.10

On 4 November 2011, the shareholders in general meeting approved the payment of a special dividend of €0.70, representing a total distribution of €32,216 thousand deducted from the share premium account.
On 15 November 2012, the shareholders in general meeting approved the payment of a special dividend of €0.70, representing a total distribution of €32,262 thousand deducted from the share premium account.

6-35) Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 31 December 2012 are detailed below.
1/ Mortgages on properties owned by the Parholding sub-group securing the 25 September 2012 loan.

Type of mortgage		Standard mortgage			Overall 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

2/ Mortgages on the Iéna property securing the 10 June 2008 loan

Company	Type of mortgage	Expiry date	Registered by Royal Bank of Scotland			
			Principal	Costs and incidentals	Total 31 December 2012	Total 31 December 2011
SFL	Standard mortgage	31 October 2014	40,800	4,080	44,880	44,880
Total			40,800	4,080	44,880	44,880

Guarantees and other commitments

	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given				
• Guarantee given to Société Générale on behalf of SAS Locaparis pursuant to Article 3-2 of the Act of 2 January 1970	140	–	140	–
• Property guarantees	293	293	–	–
Commitments received				
• Guarantees received from tenants	37,883	5,230	9,604	23,049
• Guarantees received from suppliers	5,261	3,319	1,937	5
• Natixis 2010 syndicated line of credit	305,000	–	305,000	–
• BNP Paribas syndicated line of credit	300,000	–	300,000	–

Employee benefit obligations

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

An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

The aggregate compensation that would be payable to these individuals amounts to €2,712 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008 in the case of the employees and on 5 October 2010 in the case of the corporate officer who is not an employee.

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 31 December 2012, the Group's contractual commitments relating to investment properties undergoing redevelopment or renovation totalled €52,400 thousand, of which €44,219 thousand concerned the quai Le Gallo property in Boulogne.

6-36) Note to the statement of cash flows

	2012	2011	2010
Acquisitions of subsidiaries, net of the cash acquired:			
Purchase price	–	–	–
Subsidiaries' cash acquired (Parholding)	8,931	–	–
Repayment of intragroup current account advances	–	–	–
Assets and liabilities acquired:			
Non-current assets	258,748	–	–
Current assets	13,029	–	–
Equity	94,062	–	–
Deferred taxes on investment properties	39,269	–	–
Financial liabilities	103,813	–	–
Current liabilities	34,633	–	–
Proceeds from disposals of intangible assets and property and equipment:			
Sale price	–	50,005	58,303
Transaction costs	(4)	(209)	(56)
Capital gains tax	–	–	–
Cash and cash equivalents at end of period:			
Short-term investments	19,293	8,266	9,921
Cash at bank and in hand	5,624	3,231	3,662
Short-term bank loans and overdrafts	(26,327)	(29,551)	(9,424)

Additional information

The impact of recognising rent-free periods as well as additions to and reversals of provisions for trade receivables are included in "Cash flow".

Changes in deposits received from tenants are included in cash flows from operating activities.

6-37) Related party information

The remuneration paid to the members of the Board of Directors and Management Committee breaks down as follows:

	2012	2011	2010
Short–term benefits, excluding payroll taxes(1)	3,036	3,515	3,750
Payroll taxes on short-term benefits	1,213	1,300	1,363
Post-employment benefits(2)	–	–	–
Other long-term benefits(3)	–	–	–
Share-based payments(4)	265	45	342
Total	**4,249**	**4,860**	**5,455**

(1) Gross salary and other remuneration, bonuses, discretionary and non-discretionary profit-sharing, matching Company payments, directors' fees and benefits in kind paid during the period.
(2) Service cost.
(3) Other vested deferred remuneration.
(4) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

Company Financial Statements for the year ended 31 December 2012

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Balance Sheet

ASSETS

(in euros)	31 December 2012			31 December 2011
	Total	Depreciation, amortisation and provisions	Net	Net
NON-CURRENT ASSETS				
Intangible assets				
Start-up costs				
Software	3,814,053	3,547,056	266,997	345,883
Lease premiums and goodwill[1]	84,045,717	4,772,213	79,273,504	79,226,725
Other				
Intangible assets in progress	912,135		912,135	463,450
Property and equipment				
Land	582,643,159	3,298,258	579,344,901	574,956,700
Buildings	708,135,702	115,683,183	592,452,519	592,611,612
Other	3,630,191	1,025,822	2,604,369	2,761,978
Assets under construction	261,038,380		261,038,380	164,593,288
Prepayments to suppliers of property and equipment	4,745,478		4,745,478	853,349
Non-current financial assets[2]				
Shares in subsidiaries and affiliates	629,844,457	2,286,948	627,557,508	627,517,508
Advances to subsidiaries and affiliates	26,552,675		26,552,675	11,831,667
Other long-term investments				
Loans	7,525,658		7,525,658	9,796,473
Other	752,972		752,972	727,896
TOTAL I	**2,313,640,576**	**130,613,480**	**2,183,027,097**	**2,065,686,529**
CURRENT ASSETS				
Inventories and work in progress				
Receivables[3]				
Prepayments to suppliers	39,961		39,961	185,192
Rental receivables	6,956,841	3,561,086	3,395,755	2,851,368
Other	303,841,762	449,837	303,391,925	339,731,584
Current financial assets				
Treasury shares	24,544,642	9,011,119	15,533,523	16,565,768
Other marketable securities	1,073,999		1,073,999	497,697
Cash equivalents				20,100
Cash at bank and in hand	**25,947,109**		**25,947,109**	**24,009,232**
Prepaid expenses[3]	4,182,122		4,182,122	4,400,721
TOTAL II	**366,586,437**	**13,022,042**	**353,564,395**	**388,261,661**
Deferred charges (III)	9,238,293		9,238,293	8,776,457
Debt redemption premiums (IV)	3,613,167		3,613,167	1,753,417
TOTAL ASSETS (I + II + III + IV)	**2,693,078,472**	**143,635,521**	**2,549,442,951**	**2,464,478,064**
(1) Of which, lease premiums			*31,808,250*	*31,808,250*
(2) Of which, due within one year (gross)			*26,552,666*	*14,102,482*
(3) Of which, due beyond one year (gross)			*291,705,143*	*329,878,840*

BALANCE SHEET (CONT'D.)

(in euros)	31 December 2012	31 December 2011
EQUITY		
Share capital	**93,057,948**	**93,057,948**
Share premium account	1,030,629,064	1,084,109,521
Revaluation reserve	21,438,656	21,438,656
Reserves:		
Legal reserve	9,305,795	9,305,795
Statutory reserve		
Untaxed reserves		
Other		
Retained earnings	665,412	1,374,615
Interim dividend		
Profit (loss) for the period	(41,971,858)	42,547,038
Capital and reserves	1,113,125,016	1,251,833,572
Government grants		
Untaxed provisions	14,775,859	15,101,354
TOTAL I	**1,127,900,875**	**1,266,934,926**
Income from issuance of shares and share equivalents		
TOTAL I a		
Provisions for contingencies and charges	1,673,895	1,446,518
TOTAL II	**1,673,895**	**1,446,518**
LIABILITIES (1) (2)		
Convertible bonds		
Other bonds	1,015,631,849	514,196,181
Bank borrowings (3)	303,035,080	599,539,110
Other borrowings	42,420,693	40,009,452
Prepaid property rentals	4,660,239	8,558,437
Trade payables	5,412,906	7,997,256
Accrued taxes and payroll costs	8,212,050	11,317,435
Due to suppliers of property and equipment	33,874,307	10,603,063
Other liabilities	2,274,683	3,873,337
Cash equivalents		
Deferred income	4,346,372	2,348
TOTAL III	**1,419,868,180**	**1,196,096,619**
TOTAL EQUITY AND LIABILITIES (I + Ia + II + III)	**2,549,442,951**	**2,464,478,064**
(1) Of which, due beyond one year	*1,237,531,888*	*773,521,090*
(2) Of which, due within one year	*182,336,293*	*422,575,529*
(3) Of which, short-term bank loans and overdrafts	*52,164,926*	*53,459,044*

Profit and Loss Account

(in euros)	2012	2011
OPERATING INCOME		
Property rentals	92,880,138	97,451,138
Service revenue	1,766,423	1,743,370
Total revenue	**94,646,561**	**99,194,508**
Own-work capitalised	145,368	0
Reversals of depreciation, amortisation and provisions	119,962	4,519,712
Other income	2,687,122	2,088,409
Expense transfers	19,328,117	22,021,944
TOTAL I	**116,927,130**	**127,824,574**
OPERATING EXPENSE		
Other purchases and external charges	48,427,660	54,751,596
Taxes other than on income		
Payroll-based taxes	523,583	554,079
Other	9,667,568	8,339,747
Payroll costs		
Wages and salaries	7,111,629	7,024,460
Payroll taxes and other employee benefits expenses	3,201,255	3,331,603
Depreciation, amortisation and provision expense		
Depreciation and amortisation expense	30,066,052	25,927,212
Impairment losses on non-current assets	1,126,121	35,899
Impairment losses on current assets	103,258	6,085
Provision expense	55,093	110,611
Other expenses	372,892	952,479
TOTAL II	**100,655,111**	**101,033,771**
OPERATING PROFIT (I-II)	**16,272,019**	**26,790,803**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	32,318,081	18,527,994
From other non-current financial assets	251,279	372,523
Other interest income	14,656,483	10,922,298
Reversals of provisions and impairment losses, and expense transfers	13,032,118	8,543,677
Net gains from sales of current financial assets	8,130	44,624
TOTAL III	**60,266,092**	**38,411,117**
FINANCIAL EXPENSES		
Amortisation and impairment losses on financial assets and other financial provision expense	435,250	755,216
Interest expense	116,049,855	51,866,503
TOTAL IV	**116,485,105**	**52,621,719**
NET FINANCIAL INCOME (EXPENSE) (III - IV)	**(56,219,013)**	**(14,210,602)**
PROFIT (LOSS) BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	**(39,946,994)**	**12,580,200**
OTHER INCOME		
From revenue transactions	113,444	908,021
From capital transactions	40,000	50,009,411
Reversals of provisions and impairment losses, and expense transfers	3,035,769	1,033,768
TOTAL V	**3,189,213**	**51,951,200**
OTHER EXPENSE		
From revenue transactions	205,524	438,224
From capital transactions	4,028	14,462,564
Amortisation, impairment losses and other provision expense	2,691,274	3,290,124
TOTAL VI	**2,900,826**	**18,190,911**
OTHER INCOME (EXPENSE), NET (V - VI)	**288,387**	**33,760,290**
Employee profit-sharing (IX)	88,478	40,666
Income tax benefit (expense) (X)	2,224,773	3,752,786
Total income (I + III + V)	**180,382,435**	**218,186,891**
Total expenses (II + IV + VI + IX + X)	**222,354,293**	**175,639,853**
NET PROFIT (LOSS)	**(41,971,858)**	**42,547,038**

The financial statements have been prepared in accordance with French generally accepted accounting principles (GAAP).

I – Accounting policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and separation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

a) Intangible assets

Intangible assets recognised in the balance sheet mainly comprise:

- Software purchased or developed for the Company's ERP system.
- Lease premiums, corresponding to the fee payable on new finance leases.
- Goodwill, corresponding to the technical merger deficits arising from mergers.
- These deficits, which have been allocated to the buildings, have been tested for impairment and are regularly monitored by reference to the buildings in accordance with Article 322-5 of standard CRC 99-03 (as amended by standard 2002-10).

b) Property and equipment

1 - Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are therefore capitalized.

Capitalized renovation costs also include borrowing costs for the period until the property is put back on the rental market, calculated at the average rate of interest after hedging on the last day of the month.

The cost of properties does not include transaction expenses (CRC 2004-06).

2 - Depreciation

Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at the IFRS transition date.

The useful lives of the component parts of investment properties are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof and fencing	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:

- The useful lives of the component parts of the property. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately over its respective useful life.
- The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at six-monthly intervals and an impairment loss is recognized if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2012 was performed by independent experts CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.

c) Non-current financial assets

Non-current financial assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date.
The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

Furthermore, a provision for contingencies is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned.

The total amount of the provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognized in liabilities under provisions for contingencies.

d) Stock option and performance share plans

In accordance with CNC standard no. 2008-17 dated 4 December 2008 concerning the accounting treatment of stock option and performance share plans, SFL has bought back shares for allocation to stock option plans based on the probability of options being exercised under those plans.

When shares bought back for allocation to plans under which exercise of options is probable, a provision is recorded for the difference between the buyback price and the option exercise price. Impairment of treasury shares not allocated to a stock option or performance share plan is calculated based on their fair value at the balance sheet date.

The increase in the share price above the exercise price for a certain number of options led to the reversal of the provision for impairment of these shares and the recognition of a provision for contingencies determined based on the exercise price of the options.

In accordance with Emerging Issues Task Force Opinion no.2002-D dated 18 December 2002 concerning the accounting treatment of a company's own shares originally classified as "marketable securities" and subsequently allocated to performance share plans, the shares' carrying amount on the reclassification date is treated as their new cost and any impairment losses recorded prior to that date are therefore not reversed when the shares are reclassified. No further impairment losses are recorded on the shares as from the reclassification date.

For each performance share plan, the number of performance shares that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate.

The probable outflow of resources is then recognised on a straight-line basis over the vesting period.

Details of the plans are presented in Note A-3.1).

e) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis. Files are transferred to the collection department when rentals are 30 days past due.

Except in specific cases, the following provision rates are applied according to the type of lease:

- Residential leases: 100%.
- Office and retail leases: 50% when the tenant is still occupying the premises, 100% when they have vacated the premises.

f) Current financial assets

Current financial assets are stated at the lower of cost and fair value. Fair value corresponds to the market price for the last month of the period.

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants, including various property taxes, and deferred borrowing costs.

h) Financial income and expense

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.
Net gains and losses on swaps contracted for hedging purposes are recognized in the profit and loss account on an accruals basis. No provision is booked for unrealized losses, as gains and losses on hedged items are offset by losses and gains on the hedging instrument.

i) Other income and expenses correspond to income and expenses from non-recurring transactions, such as property acquisition or disposal costs.

II - Significant events of the year

A – Significant events

Redevelopment projects

All objections to the building permit for the In/Out project in Boulogne having been extinguished in November 2011, major demolition and construction work began in January 2012 and continued on schedule during the year.

The remodelled and renovated Ozone building on the corner of avenue des Champs Elysées and rue de Berri was delivered at the end of the year. With leases signed on the office space during the second half of 2012, the property had been entirely let prior to delivery.

Remodelling of the building at 81-83 rue de Richelieu began after the building permit was received on 12 July 2012 and no objections were received.

Asset purchases and sales

As part of SFL's asset management strategy, an agreement was signed in November 2012 with the Mandarin Oriental Hotel Group (Paris) for the sale of the building at 251 rue Saint-Honoré (Paris 1) that is occupied by the Mandarin Oriental Paris hotel and two luxury boutiques, Ports 1961 and Dsquared2.
The transaction was subject to approval by the shareholders of Mandarin Oriental Hotel Group (Paris) and the Paris city authorities' waiver of their pre-emption right. The sale was agreed at a net price of €290 million.

Financing and hedges

In November 2012, SFL carried out a second €500 million 5-year bond issue due 28 November 2017 at a re-offer price of 3.602% and a coupon rate of 3.50%.

The issue is part of the strategy implemented by SFL's management to diversify its financing sources, extend the debt maturity profile and strengthen the Company's financial resources.

Following the bond issue, several hedging contracts were unwound. Hedges are described in Note E.

Other events

On 26 December 2012, SFL and Prédica – 50/50 partners in Parholding – signed a new shareholders' pact giving the Chairman (designated by SFL) sole power to make fundamental decisions concerning Parholding and its subsidiaries, within the limit of its corporate purpose and subject to decisions already taken by the shareholder committee.
The shareholders' pact has no impact on the financial statements.

Special dividend approved by shareholders

The shareholders in General Meeting on 15 November 2012 approved the payment of a special dividend of €0.70 per share, representing a total distribution of €32,262 thousand deducted from the share premium account.

B - Tax audits

The tax authorities contest the method used by the Group to calculate provisions for major repairs and the accounting allocation of the value of certain properties between the land and the building.
In 2012, the Supreme Administrative Court of Appeal rejected two appeals by SFL concerning the provisions for major repairs. Following this ruling, income tax expense of €1,257 thousand was recorded and €565 thousand was released from the provision for tax risks.
At the same time, a separate provision for a similar dispute was increased to cover the total risk, estimated at €396 thousand including late interest.
The provision concerning the allocation of property values between the land and the building was kept at €137 thousand, corresponding to the total risk including late interest.

C - Subsequent events

The sale of the property at 251 rue Saint Honoré (Paris 1) to Mandarin Oriental Hotel Group (Paris) was completed on 8 February 2013 on the terms agreed in November 2012.

III - Notes to the financial statements

A - Notes to the balance sheet

A-1) Non-current assets

A-1.1) Intangible assets

Intangible assets at cost (in euros)	31 December 2011	Additions	Disposals	Transfers between accounts	31 December 2012
Software	3,744,609	28,462		40,982	3,814,053
Lease premiums	31,808,250				31,808,250
Goodwill	52,217,467	20,000			52,237,467
Prepayments to suppliers of property and equipment	463,450	512,277	22,610	(40,982)	912,135
Total	88,233,776	560,738	22,610	0	88,771,905

Software includes both software licences and internally-developed software.

Goodwill corresponds to the technical merger deficits arising from mergers:
- with SA Dandy Nuances (owner of the Ozone building) on 20 November 2006.
- with SAS Iéna (owner of the Iéna building) on 30 June 2008.

Amortisation (in euros)	31 December 2011	Amortisation for the year	Amortisation written off on disposals and other	31 December 2012
Software	3,398,727	148,329		3,547,056
Total	3,398,727	148,329		3,547,056

Impairment (in euros)	31 December 2011	Increases	Decreases	31 December 2012
Goodwill	4,798,992		26,779	4,772,213
Total	4,798,992		26,779	4,772,213

The impairment recorded on the technical merger deficit ("goodwill") arising on the merger with SAS Iéna was reduced during the year to take into account the increase in the property's appraisal value as determined by independent valuers at 31 December 2012.

A-1.2) Property and equipment

Property and equipment at cost (in euros)	31 December 2011	Additions	Disposals	Transfers between accounts	31 December 2012
Land	577,140,255			5,502,904	582,643,159
Buildings	368,526,680		1,267,927	2,905,760	370,164,513
Fixtures and fittings	349,744,383	2,508	5,359,634	(6,416,070)	337,971,188
Furniture and equipment	3,519,606			110,584	3,630,191
Assets under construction	164,593,288	128,892,653		(32,447,560)	261,038,380
Prepayments to suppliers of property and equipment	853,349	3,892,129			4,745,478
Total	1,464,377,562	132,787,290	6,627,560	(30,344,382)	1,560,192,910

Additions to property and equipment generally correspond to costs accumulated in the "Assets under construction" account that are reclassified on delivery to the appropriate depreciable asset accounts.

In 2012, the Ozone building was delivered, representing €92,432 thousand, and the 81-83 rue de Richelieu building was reclassified as "Assets under construction" at net book value following the launch of redevelopment work.

Depreciation (in euros)	31 December 2011	Depreciation for the year	Depreciation written off on disposals and other	Reclassifications	31 December 2012
Land					
Buildings	21,996,609	4,827,309	1,267,927	4,192,105	21,363,886
Fixtures and fittings	100,483,759	22,168,364	5,359,634	26,152,277	91,140,213
Furniture and equipment	757,629	268,193			1,025,822
Total	123,237,996	27,263,867	6,627,560	30,344,382	113,529,921

Impairment (in euros)	31 December 2011	Increases	Decreases	31 December 2012
Land	2,183,555	1,126,121	11,418	3,298,258
Buildings	3,179,084			3,179,084
Fixtures and fittings				
Total	5,362,639	1,126,121	11,418	6,477,342

Following the valuations carried out at 31 December 2012, the impairment losses recorded on buildings were adjusted to take into account changes in the properties' appraisal values. Impairment losses concerned the following properties:

	31 December 2011	Increases	Decreases	31 December 2012
Le Vaisseau	5,212,526	1,027,030		6,239,556
Stockholm parking garage	12,104		11,418	686
Saint Augustin parking garage	138,009	63,946		201,955
Saint Denis		35,145		35,145
Total	5,362,639	1,126,121	11,418	6,477,342

A-1.3) Non-current financial assets

Non-current financial assets at cost (in euros)	31 December 2011	Increases	Decreases	31 December 2012
Shares in subsidiaries and affiliates	629,804,457	40,000		629,844,457
Advances to subsidiaries and affiliates	11,831,667	26,552,666	11,831,658	26,552,675
Loans	9,796,473		2,270,815	7,525,658
Deposits	727,897	25,075		752,972
Total	652,160,494	26,617,742	14,102,474	664,675,762

Shares in subsidiaries and affiliates are presented below (list of subsidiaries and affiliates).

Impairment (in euros)	31 December 2011	Increases	Decreases	31 December 2012
Shares in subsidiaries and affiliates	2,286,948			2,286,948
Total	2,286,948			2,286,948

Impairment of non-current financial assets corresponds mainly to the full write-down of the Company's investment in Vendôme-Rome.

List of subsidiaries and affiliates

Company	Share capital	Reserves	% interest	Carrying amount of investment		Outstanding loans and advances	Outstanding guarantees	Last published revenue	Last published profit/ (loss)	Dividends received during the year	Fair value adjust-ments to the investment during the year
				Gross	Net						
A - Investments with a gross value in excess of 1% of SFL's capital											
1 - Subsidiaries (at least 50%-owned)											
SCI PAUL CEZANNE	56,934,400	112,648,950	100.00%	291,847,234	291,847,234	–	–	14,828,307	10,075,792	–	–
SCI 103 GRENELLE	150	12,981,355	100.00%	1,169,740	1,169,740	165,558,096	–	5,178,471	10,446,156	–	–
SCI WASHINGTON	94,872,000	12,423,574	66.00%	79,788,878	79,788,878	106,765,826	–	19,976,213	9,137,452	–	–
2 - Associates (10-50%-owned)											
SAS PARHOLDING	15,000,000	2,591,756	50.00%	18,400,300	18,400,300	15,280,346	–	–	(269,375)	748,269	–
SA SIIC DE PARIS	68,955,181	596,951,279	29.63%	235,981,062	235,981,062		–	92,816,238	42,100,802	3,064,689	–
B - Aggregate information about investments not listed in A above											
1 - Subsidiaries (at least 50%-owned)				370,293	370,293	–	–	–	329,268	1,952,457	–
2 - Associates (less than 50%-owned)				2,286,735	–	–	–	–	–	–	–

A-2) Receivables

Receivables at 31 December 2012 by maturity (in euros)	Total	*Accrued income*	Due within 1 year	Due in 2 to 5 years	Due beyond 5 years
Non-current assets					
Advances to subsidiaries and affiliates	26,552,675		26,552,675		
Loans	7,525,658		2,722,304	4,803,354	
Deposits	752,972				752,972
Current assets					
Trade receivables	6,956,841	*1,250,957*	2,486,976	4,469,865	
Employee advances	36,162		36,162		
Prepaid and recoverable taxes	13,151,456		13,151,456		
Current account advances	288,744,101	*1,508,824*	1,508,824	287,235,278	
Miscellaneous receivables	1,910,043		1,910,043		
Prepaid expenses	**4,182,122**		**4,182,122**		
Total	**349,812,030**	***2,759,781***	**52,550,561**	**296,508,496**	**752,972**

Impairment (in euros)	31 December 2011	Increases	Decreases	31 December 2012
Rental receivables	3,539,594	103,257	81,765	3,561,086
Other receivables	449,837			449,837
Total	**3,989,431**	**103,257**	**81,765**	**4,010,923**

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 2012 came to €24,545 thousand versus a fair value of €15,664 thousand. The SFL share price stood at €35.5 at that date, compared with €33.49 at end-December 2011.

	31 December 2011	Additions [1]	Disposals [1]	31 December 2012
Change in the number of shares held in treasury during the period	498,482	120,256	177,488	441,250
Average purchase/sale price, in euros	€54.51	€34.32	€38.06	€55.63
Total	27,172,621	4,127,084	6,755,063	24,544,642

(1) Including 33,054 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 €9,011 thousand at 31 December 2012 as follows:

Treasury shares	Number of shares	Cost	Provisions	Net	Market value[1]	Gross gain or loss
SFL shares held for allocation upon exercise of stock options granted in 2007	234,335	14,605,522	6,286,630	8,318,893	8,318,893	(6,286,630)
SFL shares held for allocation under the 2012 performance share plan	33,054	1,166,806	N/A[1]	1,166,806	1,173,417	6,611
SFL shares held for future stock-for-stock acquisitions	143,528	7,819,734	2,724,490	5,095,244	5,095,244	(2,724,490)
SFL shares held under the liquidity contract	30,333	952,579		952,579	1,076,822	124,243
Total	441,250	24,544,642	9,011,120	15,533,522	15,664,376	(8,880,266)

(1) No impairment losses are recorded on shares allocated to share grant plans.

Impairment (in euros)	31 December 2011	Increases	Decreases	Reclassifications	31 December 2012
Treasury shares	10,606,853		819,333	(776,401)	9,011,119
Total	10,606,853		819,333	(776,401)	9,011,119

Changes in impairment over the year include an €819 thousand provision reversal through profit and the reclassification of €776 thousand following the allocation of shares to a performance share plan at their net book value on the allocation date.

Stock option plans at 31 December 2012			
Date of shareholder authorisation	17/10/1997	16/05/2002	21/04/2005
Grant date	21/03/2002	25/04/2003	13/03/2007
Number of shares under option	309,000	346,000	273,000
Issuer	SFL	SFL	SFL
Starting date of the exercise period	21/03/2002	25/04/2003	13/03/2007
Option expiry date	21/03/2012	24/04/2013	12/03/2015
Exercise price	€30.63	€30.63	€62.33
Number of options at 1 January 2012	3,063	35,469	233,748
Options granted during the period			4,670
Options exercised during the period	3,063	35,469	
Options cancelled during the period			4,083
Number of options outstanding at 31 December 2012	0	0	234,335

Details of performance share plans at 31 December 2012	Plan 1	Plan 2
Date of shareholder authorisation	09/05/2011	09/05/2011
Grant date	16/02/2012	16/02/2012
End of vesting period	31/12/2014	31/12/2013
Expected vesting rate	70.83%	70.83%
Target number of shares	32,988	13,678
Number of shares expected to vest	23,366	9,688
Value per share	€35.30	€35.30
Number of shares expected to vest at 31 December 2012	23,366	9,688

A-3.2) Other current financial assets

Other current financial assets	Number	Unit purchase price	Cost	Market value	Gross gain or loss
Aviva Investors Monétaire C	478.9504	2,242	1,073,999	1,077,399	3,400
Total	478.9504	2,242	1,073,999	1,077,399	3,400

No provisions for impairment have been recorded against these financial assets.

A-4) Prepaid expenses

At 31 December 2012, prepaid operating expenses mainly consisted of €3,921 thousand in finance lease payments due in 2013.

A-5) Deferred charges

Debt issuance costs (in euros)	Maturity of debt	Total	Accumulated amortisation at 1 January 2012	Amortisation for the year	Accumulated amortisation at 31 December 2012	Net
Natixis 2005 syndicated loan fees	84 months	2,598,624	2,573,186	25,438	2,598,624	0
BECM loan fees	5 years	300,000	279,638	20,362	300,000	0
Deutsche Hypo loan fees	5 years	120,000	100,558	19,442	120,000	0
BNP Paribas loan fees	5 years	3,650,000	1,629,107	731,599	2,360,706	1,289,294
Natixis 2010 syndicated loan fees	5 years	3,283,837	683,384	658,206	1,341,590	1,942,247
2011 bond issue costs	5 years	2,876,717	335,617	575,343	910,960	1,965,757
Natixis loan renegotiation fees	4 years	876,231	35,765	214,587	250,352	625,879
BNP Paribas loan renegotiation fees	3 years	751,231	42,927	257,565	300,492	450,739
RBS loan renegotiation fees	20 months	205,627		102,814	102,814	102,814
2012 bond issue costs	5 years	2,910,065		48,501	48,501	2,861,564
Total		17,572,332	5,680,182	2,653,857	8,334,039	9,238,293

Fees are amortised over the life of the loan.

A-6) Debt redemption premiums

(in euros)	Maturity of debt	Total	Amortisation for the year	Accumulated amortisation	Net
2011 bond issue	5 years	1,985,000	397,000	628,583	1,356,417
2012 bond issue	5 years	2,295,000	38,250	38,250	2,256,750
Total		4,280,000	435,250	666,833	3,613,167

The premium is recognised over the life of the bonds.

A-7) Equity

A-7.1) Changes in equity

A. Equity at 31 December 2011 before appropriation of profit	**1,266,934,926**
B. Appropriation of profit decided at the Annual General Meeting	
Transfer to the legal reserve	
C. Dividend paid during the year	
Dividend decided by the Annual General Meeting of 19 April 2012	(64,475,152)
Special dividend decided by the General Meeting of 15 November 2012	(32,261,547)
D. Movements for the period	
Par value of shares issued during the period	
Reduction in the share premium account	
Decrease in untaxed provisions	(325,495)
Loss for the period	(41,971,858)
E. Equity at 31 December 2012	**1,127,900,875**
F. Change in equity during the year	**139,034,051**

At 31 December 2012, 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 46,087,724.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.45% of the capital at 31 December 2012.

The increase in untaxed provisions corresponds exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties, less any reversals arising due to their sale.

Untaxed provisions	31 December 2011	Increases	Decreases	31 December 2012
Excess tax depreciation	15,101,354	2,145,274	2,470,769	14,775,859
Total	**15,101,354**	**2,145,274**	**2,470,769**	**14,775,859**

A-7.2) Provisions for contingencies and charges

Provisions for contingencies and charges (in euros)	31 December 2011	Increases	Decreases	31 December 2012
Provisions for losses on SFL share grants	178,809		178,809	
Provisions for losses on financial instruments	20,098		20,098	
Provisions for refurbishment work and tenant claims	110,611	55,093		165,704
Provisions for employee benefits		540,191		540,191
Provisions for tax risks	1,137,000	396,000	565,000	968,000
Total	**1,446,518**	**991,284**	**763,907**	**1,673,895**

Provisions for employee benefits include deferred performance share plan costs, for €390 thousand.
For information about tax risks, see Note II-B.

A-8) Liabilities

Liabilities at 31 December 2012 by maturity (in euros)	Total	*Accrued expenses*	Due within 1 year	Due in 2 to 5 years	Due beyond 5 years
Bonds	1,015,631,849	*15,631,849*	15,631,849	1,000,000,000	
Bank borrowings	303,035,080	*120,084*	108,035,080	195,000,000	
Other borrowings					
. Tenant deposits	7,546,152		1,076,252	1,860,099	4,609,801
. Current account advances	34,874,541	*423,589*	423,589	34,450,952	
Prepaid property rentals	4,660,239		4,660,239		
Trade payables	5,412,906	*4,892,279*	5,412,906		
Accrued payroll costs	5,137,554	*4,503,707*	5,137,554		
Accrued taxes	3,074,496	*48,379*	1,198,103	1,876,393	
Due to suppliers of property	33,874,307	*22,517,886*	33,874,307		
Other liabilities	2,274,683	*1,279,516*	2,274,683		
Deferred income	4,346,372		768,596	3,577,776	
Total	1,419,868,180	*49,417,289*	178,493,160	1,236,765,220	4,609,801

Prepaid property rentals correspond to rental income received in advance and tenant payments covering property expenses falling due in the first quarter of 2013.
Accrued payroll costs include discretionary profit-sharing and bonus accruals.
Accrued taxes include annual exit tax instalments totalling €2,815 thousand.

Long and short-term debt (in euros)	31 December 2012	31 December 2011	Year-on-year change
2011 bond issue	514,001,712	514,196,181	(194,468)
2012 bond issue	501,630,137		501,630,137
Natixis 2005 syndicated loan		200,025,945	(200,025,945)
Natixis 2010 syndicated loan	45,064,665	40,209,387	4,855,278
Banco Sabadell loan		50,005,042	(50,005,042)
BECM revolving credit facility	150,002,750	150,015,481	(12,731)
Royal Bank of Scotland loan	40,800,842	40,804,413	(3,571)
Deutsche Hypothekenbank loan		50,011,604	(50,011,604)
CADIF loan	15,001,896	15,008,195	(6,299)
Bank overdrafts	52,164,926	53,459,044	(1,294,118)
Total	1,318,666,929	1,113,735,292	204,931,637

B - Notes to the profit and loss account

B-1) Net revenue

(in euros)	2012	2011
Property rentals and lease termination penalties	85,598,291	90,344,429
Property management fees	1,167,238	1,054,514
Key money	255,556	
Other fees	1,013,916	1,157,538
Les Citadines and Servcorp Edouard VII revenue	4,845,137	4,894,657
Sub-total	**92,880,138**	**97,451,138**
Administration and accounting fees	146,500	145,000
Payments received for seconded employees	1,619,923	1,598,370
Sub-total	**1,766,423**	**1,743,370**
Total	**94,646,561**	**99,194,508**

B-2) Payroll costs

(in euros)	2012			2011
	Building staff	Administrative staff	Total	Total
Wages and salaries				
Wages and salaries	81,460	7,030,170	7,111,629	7,024,460
Sub-total	**81,460**	**7,030,170**	**7,111,629**	**7,024,460**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	37,170	2,744,008	2,781,178	2,768,761
Other employee benefits expenses	8,093	411,984	420,077	562,842
Sub-total	**45,263**	**3,155,992**	**3,201,255**	**3,331,603**
Total	**126,723**	**10,186,161**	**10,312,884**	**10,356,062**

The remuneration paid to Company directors and officers (including bonuses and benefits in kind) amounted to €2,698 thousand in 2012.
Directors' fees represented a total of €342 thousand.

B-3) Number of employees at 31 December

	31 December 2012	31 December 2011
Building caretakers	2	2
Administrative employees	6	8
Supervisors	12	12
Managers	48	47
Officers	2	2
Total	**70**	**71**

B-4) Fees paid to the Auditors

(in euros)	2012	2011	2012	2011
	PricewaterhouseCoopers Audit		Deloitte & Associés	
Statutory and contractual audits	224,875	224,875	224,875	224,875
Other services	20,000	24,500	39,500	15,000
Total	**244,875**	**249,375**	**264,375**	**239,875**

B-5) Net financial income (expense)

(in euros)	2012	2011
Dividends from SAS Parholding	748,269	701,134
Dividends from SA Segpim	1,952,457	1,270,472
Dividends from SA SIIC de Paris	3,064,689	4,724,729
Revenue from SCI Paul Cézanne	10,075,792	9,093,165
Revenue from SCI Washington	6,030,718	2,738,494
Revenue from SCI 103 Grenelle	10,446,156	
Sub-total	**32,318,081**	**18,527,994**
Interest income from the SCI Champvernier loan	251,279	372,523
Sub-total	**251,279**	**372,523**
Interest received on derivative instruments	1,813,169	781,978
Premiums/cash settlements received on derivative instruments	8,100,358	2,895,000
Interest income from current account advances to subsidiaries	4,727,525	7,227,494
Other financial income	15,431	17,826
Sub-total	**14,656,483**	**10,922,298**
Capitalized interest expense [a]	12,013,878	8,191,442
Reversals of provisions for financial risks	198,907	964
Reversals of impairment of shares in subsidiaries and affiliates		351,271
Reversals of impairment of current financial assets	819,333	
Sub-total	**13,032,118**	**8,543,677**
Net gains from sales of current financial assets	8,130	44,624
Sub-total	**8,130**	**44,624**
Financial income	**60,266,092**	**38,411,117**
Provisions for financial risks		57,497
Provisions for bond redemption premiums	435,250	231,583
Impairment of treasury shares		466,136
Sub-total	**435,250**	**755,216**
Interest expense on bank loans	36,826,558	30,470,785
Interest expense on current account advances from subsidiaries	911,517	1,314,637
Interest expense on bank overdrafts	287,618	436,342
Bank loan arranging fees	3,934,732	5,000,310
Interest paid on derivative instruments	19,209,553	14,642,933
Other financial expenses [b]	54,879,876	1,495
Sub-total	**116,049,855**	**51,866,503**
Finance costs and other financial expenses	**116,485,105**	**52,621,719**
Net financial income (expense)	**(56,219,013)**	**(14,210,602)**

(a) Capitalized interest expense corresponds to borrowing costs incurred during the redevelopment of the Ozone, In/Out and 81-83 rue de Richelieu properties, calculated at an average rate of 4.61% (i.e. the average rate of interest after hedging on the last day of the month).
(b) Other financial expenses correspond to cash settlements paid on the unwinding of hedging instruments.

B-6) Other income and expense

(in euros)	2012	2011
Total capital gains on property disposals		35,749,853
Funds contributed by Les Citadines	40,000	
Tax rebates and reassessments, net	57,872	190,304
Transaction costs on property purchases and sales	(4,028)	(164,722)
Prior period adjustments, net	37,159	280,462
Net gains/(losses) on sales of other shares	(187,111)	(39,252)
Movements on untaxed provisions	325,495	(1,899,355)
Movements on provisions for employee-related and tax risks	19,000	(357,000)
Total	**288,387**	**33,760,290**

B-7) Income tax expense

(in euros)	2012	2011
Exit tax due following exercise of the purchase option under the In/Out finance lease		3,752,786
Income tax reassessment	1,256,927	
3% surtax on distributed income	967,846	
Total	2,224,773	3,752,786

C - Related party transactions

(in euros)	31 December 2012	31 December 2011
Balance Sheet		
Non-current financial assets	627,557,508	627,517,508
Advances to subsidiaries and affiliates	26,552,675	11,831,667
Trade receivables	571,027	534,014
Other receivables	288,744,101	328,214,628
Liabilities related to advances to subsidiaries and affiliates		
Trade payables	2,963,372	3,015,386
Other liabilities	34,874,541	32,744,469
Profit and loss account		
Revenue	1,766,423	1,847,311
Other income	671,628	354,000
Expense transfers	74,491	
Other purchases and external charges	919,895	380,347
Taxes other than on income	127,347	
Property management fees	2,003,645	2,148,694
Dividend income from subsidiaries and affiliates	32,318,081	18,527,994
Interest income on advances to subsidiaries and affiliates	4,242,073	6,473,194
Interest expense on liabilities related to advances to subsidiaries and affiliates	426,065	560,337

D - Finance leases

Finance lease commitments (in euros)	Lease payments		Future minimum lease payments due			Residual value
	For the year	Cumulative	Within 1 year	In 1 to 5 years	Beyond 5 years	
Rives de Seine	11,353,173	105,641,656	5,858,763			47,809,186
131 Wagram	4,967,762	27,817,695	4,967,762	12,198,616		26,000,000
Total	16,320,935	133,459,351	10,826,525	12,198,616		73,809,186

The values shown concern the portion of lease payments corresponding to the repayment of the principal.

Properties under finance leases	2012				2011
	Cost at inception of the lease	Depreciation for the year	Accumulated depreciation	Carrying amount	Carrying amount
Land	106,880,034			106,880,034	106,880,034
Buildings	141,644,475	5,147,875	58,769,911	82,874,565	88,022,440
Total	248,524,509	5,147,875	58,769,911	189,754,599	194,902,473

Under the rules governing property leases applicable since 1 January 1996, the portion of the principal corresponding to the land can be depreciated at the end of the lease period or included in the residual value. SFL has chosen to apply the latter option.

E - Off-balance sheet commitments

Guarantees and other commitments

(in euros)	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given				
SAS Locaparis guarantee	140,000		140,000	
Commitments received				
Guarantees received from tenants	24,517,114	1,989,073	7,179,058	15,348,983
Guarantees received from suppliers	3,716,263	1,779,038	1,937,225	
Natixis 2010 syndicated line of credit	305,000,000		305,000,000	
BNP Paribas syndicated line of credit	300,000,000		300,000,000	

Pledges and mortgages on the Iéna property, securing the €40.8 million RBS loan

Company	Type of mortgage	Expiry date	Principal	Costs and incidentals	Total
SFL	Standard mortgages	31/10/2014	40,800,000	4,080,000	44,880,000

General hedges of floating rate debt

Following the 28 November 2012 bond issue, several hedging instruments were unwound and a net cash payment of €46,780 thousand was made.

Hedging portfolio at 31 December 2012

Counterparty: RBS. *Description:* cash flow hedge. This 7-year swap on a notional amount of €40,800 thousand came into effect on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. At 31 December 2012, the contract had a negative fair value of €1,274 thousand.

Counterparty: HSBC. *Description:* cash flow hedge. This swap on a notional amount of €50,000 thousand was set up on 7 May 2009 as a hedge of identified debt. It was restructured on 1 January 2012 and expires on 31 March 2016. SFL pays a fixed rate of 2.1720%. At 31 December 2012, the contract had a negative fair value of €2,982 thousand.

Counterparty: HSBC. *Description:* cash flow hedge. This swap on a notional amount of €100,000 thousand was set up on 8 July 2009 as a hedge of identified debt. It was restructured on 1 January 2012 and expires on 30 June 2014. SFL pays a fixed rate of 2.3050%. At 31 December 2012, the contract had a negative fair value of €6,775 thousand.

Counterparty: CIC-CM. *Description:* cash flow hedge. This swap on a notional amount of €100,000 thousand came into effect on 2 January 2012 as a hedge of identified debt and expires on 2 July 2017. SFL pays a fixed rate of 1.846%. At 31 December 2012, the contract had a negative fair value of €5,607 thousand.

Contractual redevelopment and renovation obligations

At 31 December 2012, contractual commitments relating to investment properties undergoing redevelopment or renovation totalled €50,568 thousand – of which 87.45% concerned the In/out project –, compared with €21,841 thousand at 31 December 2011.

Employee benefits

SFL has elected not to use the recommended method for recognising pension and other post-employment benefit obligations.
The amount of these obligations, for which no provision has been set aside, amounted to €435 thousand at 31 December 2012. The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at age 65 at the employer's initiative. The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.15% and a 2% rate of future salary increases.

- Length-of-service awards payable to employees on retirement: the lump sum benefit payable under this plan is specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service, and one month's salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As SFL does not have any such defined benefit obligations, no sensitivity analyses are presented.

F – Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Colonial, a company governed by Spanish law and listed on the Madrid stock exchange (ISIN: ES0139140018).

Statutory Auditors' reports

Statutory Auditors' report on the consolidated financial statements (P.197)
Statutory Auditors' report on the Company financial statements (P.198)
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.199)
Statutory Auditors' special report on related party agreements and commitments (p.200)

Statutory Auditors' report on the consolidated financial statements
Year ended 31 December 2012

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 2012, 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 the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the year give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies, in accordance with IFRSs as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Notes 2-3 and 2-19 to the consolidated financial statements, all of the Company's property assets have been valued by qualified independent valuers to estimate their fair value. Our work consisted of verifying the valuation methods used by the independent valuers, ensuring that fair value measurements of property assets were based on independent valuations, and that the notes to the consolidated financial statements contain the appropriate disclosures.
- Notes 2-17, 2-19 and 6-30 to the consolidated financial statements describe the accounting policies applied to determine the fair value of derivative instruments, as well as the characteristics of the hedging instruments used by the Group. We verified that IAS 39 classification and documentation criteria had been applied and obtained assurance that the accounting policies used and the disclosures provided in the notes were appropriate.

These assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verification

In accordance with the professional standards applicable in France, we also verified the information about the group presented in the Management Report.

We have no matters to report regarding the fair presentation of this information and its conformity with the consolidated financial statements.

Neuilly-sur-Seine, 20 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Statutory Auditors' report on the Company financial statements
Year ended 31 December 2012

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 2012, on:

- the audit of the accompanying financial statements of Société Foncière Lyonnaise;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
An audit also includes assessing the accounting principles used and the significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the financial statements give a true and fair view of the Company's results for the period as well as of its financial position, assets and liabilities at the period-end, in accordance with the accounting rules and principles applicable in France.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in Note I-b) on accounting policies for property and equipment, all of the Company's property assets have been measured by qualified independent valuers in order to test for impairment. Our work consisted in verifying the valuation methods used by the independent valuers, ensuring that impairment losses on property assets were determined on the basis of independent valuations, and that the notes to the financial statements contain the appropriate disclosures.

These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the unqualified opinion expressed in the first part of this report.

III. Specific verifications and information

In accordance with the professional standards applicable in France, we also verified the information given in the financial statements.
We have no matters to report concerning the fair presentation of this information and its conformity with the Board of Directors' management report and with the documents addressed to shareholders regarding the Company's financial position and financial statements.
We have examined the information provided in accordance with Article L.225-102-1 of the French Commercial Code concerning compensation and benefits granted to corporate officers and any other commitments made in their favour, and verified its conformity with the information used to prepare the Company financial statements and, where necessary, with data collected by your Company from its controlling shareholders or subsidiaries. On this basis, we have no matters to report concerning the fair presentation of this information.
In accordance with the law, we obtained assurance that the necessary disclosures were made in the management report concerning acquisitions of controlling and other interests and the identity of shareholders and holders of voting rights.

Neuilly-sur-Seine, 20 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Directors of Société Foncière Lyonnaise
Year ended 31 December 2012

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 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code, in particular relating to corporate governance.

It is our responsibility:

- to report to you our observations on the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information; and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with the professional standards applicable in France.

Information concerning the internal control procedures relating to the preparation and processing of accounting and financial information

French professional standards require that we perform procedures to assess the fairness of the information contained in the Chairman's report on internal control procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted of:

- Obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information underpinning the information given in the Chairman's report, and of the existing documentation.
- Obtaining an understanding of the work performed to support the information given in the report and of the existing documentation.
- Determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have identified during the course of our work are appropriately disclosed in the Chairman's report.

Based on our procedures, we have no matters to report concerning the information given on internal control and risk management procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with Article L.225-37 of the French Commercial Code.

Other information

We attest that the Chairman's report sets out the other information required by Article L.255-37 of the French Commercial Code.

Neuilly-sur-Seine, 20 March 2013

The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Auditors' special report on related party agreements and commitments Annual General Meeting held to approve the 2012 financial statements

To the shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

We are required to report to shareholders, based on the information provided, about the main terms and conditions of the related party agreements and commitments that have been disclosed to us or that we identified during our audit, without commenting on their relevance or substance. Our responsibility does not include identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (Code de Commerce), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We are also required to disclose the information provided for in Article R.225-31 of the French Commercial Code concerning the execution during 2012 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 advised of the following agreements and commitments authorised by your Board of Directors during 2012.

Agreement with Prédica

- Authorised at the Board meeting of 15 November 2012.
- Parholding shareholders' pact dated 26 December 2012.
- The Parholding shareholders' pact signed in 2009 was amended to 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 were as follows:
  - Candidate for appointment as Chairman of Parholding and the company's legal representative to be proposed to shareholders by SFL, with Prédica committing to supporting SFL's choice.
  - Approval of the budget by the Chairman, apart from exceptional budget items that continue to be subject to approval by the Shareholders' Committee (with members of the Shareholders' Committee having the right to veto these exceptional items).
  - Proposal to set thresholds for some of the decisions subject to the prior approval of the Shareholders' Committee, so that the Committee only looks at exceptional transactions.
  - Appointment of legal managers of subsidiaries by the Chairman rather than the Shareholders' Committee.
  - Renewal of nearly all of the key contracts signed with SFL.
- Jean-Jacques Duchamp is a director of both SFL and Prédica, and the Crédit Agricole Group, of which Prédica is a member, holds over 10% of the voting rights in SFL. Consequently, the new shareholders' pact with Prédica is governed by Articles L.225-38 et seq. of the French Commercial Code.

Agreements and commitments approved in prior years

I) Agreements and commitments that remained in force in 2012

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 2012.

a) Agreement with Prédica

- Authorised at the Board meeting of 20 July 2009 and approved by shareholders at the General Meeting of 19 April 2010.
- Partnership agreement.
- Following Prédica's acquisition of Ile de France Investissements SA's 50% interest in Parholding SAS, SFL entered into a new partnership agreement with Prédica organising their relations as joint shareholders of Parholding.
- Jean-Jacques Duchamp is a director of both SFL and Prédica, and the Crédit Agricole Group, of which Prédica is a member, holds over 10% of the voting rights in SFL. Consequently, the partnership agreement (including the term sheet, the shareholders' pact and related documents) with Prédica is governed by Articles L.225-38 et seq. of the French Commercial Code.

b) Agreement with Parholding

- Authorised at the Board meeting of 20 July 2009 and approved by shareholders at the General Meeting of 19 April 2010
- Pledges of shares and/or financial instruments accounts.
- Parholding, which is 50%-owned by SFL, obtained a €172 million no-recourse loan at a spread of 250 bps, due December 2012. The loan, which was secured by a mortgage, was used to repay a €137 million loan that fell due in December 2009 and to finance €35 million worth of redevelopment work in the Galerie des Champs-Elysées shopping arcade. To secure the loan, Parholding's partners pledged their Parholding shares and/or financial instruments accounts to the banks as collateral.
- Bertrand Julien-Laferrière is Chairman of Parholding and Chief Executive Officer of SFL and Nicolas Reynaud is Chief Executive Officer of Parholding and Managing Director of SFL.

c) Agreement with Locaparis

- Renewal of the agreement authorised at the Board meeting of 16 February 2012 and approved by shareholders at the General Meeting of 19 April 2012.
- Locaparis is a wholly owned subsidiary of SEGPIM, which is a 99%-owned subsidiary of SFL.
- A counter guarantee given by SFL for €140,000, covering the financial guarantee given by Société Générale on behalf of Locaparis in accordance with Article 3-2 of the Act of 2 January 1970.

II) Agreements and commitments that were not applied in 2012

We were also informed that the following related party agreements and commitments approved in prior years by shareholders were not applied in 2012.

a) Agreement with Nicolas Reynaud

- Authorised at the Board meeting of 9 December 2008 and approved by shareholders at the General Meeting of 15 June 2009.
- Nicolas Reynaud is both an officer and an employee of the Group, as Managing Director since 24 October 2008 and Chief Financial Officer.
- Under the terms of his employment contract, Nicolas Reynaud will receive a termination benefit in the event of a change in ownership structure.

In the event of a significant direct or indirect change in the composition of the main shareholder group of the Company or its controlling shareholder, if Nicolas Reynaud is dismissed (except for gross negligence) or is forced to resign as a result of significant changes in his responsibilities in the 18 months following the date of such a change, he will receive, in addition to the severance pay due by law or under the collective bargaining agreement, a termination benefit of an amount equal to twice the total gross annual remuneration – including any and all bonuses and benefits in kind – for the calendar year preceding the dismissal (except for gross negligence) or resignation, subject to a commitment by Nicolas Reynaud not to encourage the departure of other SFL employees.

b) Agreement with Bertrand Julien-Laferrière

- Authorised at the Board meeting of 5 October 2010 and approved by shareholders at the General Meeting of 9 May 2011.
- Corporate officer concerned: Bertrand Julien-Lafferière, Chief Executive Officer since 5 October 2010.

The agreement provides for the payment of compensation for loss of office to Bertrand Julien-Laferrière in the event that he is dismissed from his position as Chief Executive Officer for reasons other than gross or wilful misconduct, notwithstanding any rights that he may have to a damages payment.

Said compensation would represent the equivalent of six months' remuneration.If he were to be dismissed within three years of taking up his position, the compensation would correspond to one half of his annual salary and one half of his most recent bonus approved by the Board.As from 1 January 2014, it would be based on one half of his latest annual salary and 50% of the average of his bonuses for the three years preceding his dismissal. No other components of his remuneration package would be taken into account in the calculation.
Payment of the compensation for loss of office would be subject to certain performance criteria being met, as determined by the Board at its meeting of 14 December 2010.

Effective from 2011, half of Mr. Julien-Laferrière's bonus is based on qualitative performance criteria and half on quantitative criteria, determined each year by the Board of Directors based on the recommendation of the Remuneration Committee.

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

Performance targets used to determine compensation for loss of office: if average performance was at least equal to 60% of the target, the compensation for loss of office would be payable in full. If average performance was below 60% of the target, no compensation for loss of office would be payable.

The Board of Directors would be required to inform Mr. Julien-Laferrière of whether the performance criteria had been met within two months of his separation.
The compensation would be payable within sixty days of the Board meeting at which the fulfilment of the performance criteria was noted.

Neuilly-sur-Seine, 20 March 2013
The Statutory Auditors

PricewaterhouseCoopers Audit
Benoît AUDIBERT

Deloitte & Associés
Christophe POSTEL-VINAY

Additional information

1. Persons responsible for the Registration Document and the audit of the accounts (p.206)
2. Additional legal information (p.208)
3. Additional information about the company's capital and share ownership (p.209)
4. Additional information about the group's operations and organisational structure (p.212)
5. Documents on display (p.214)

1. Persons responsible for the Registration Document and the audit of the accounts

1.1 Statement by the person responsible for the Registration Document

Name and position

Nicolas Reynaud, Managing Director.

Statement

"I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the report of the Board of Directors on page 3 et seq. presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

Note that, without qualifying their opinion, the Statutory Auditors made the following observations on the 2010 consolidated financial statements:

- In their report on the consolidated financial statements for the year ended 31 December 2010, presented on page 194 of the Registration Document (DDR D.11-0337) dated 20 April 2011, the auditors drew attention to Note 1-1 to the consolidated financial statements, describing the effect of new standards and interpretations.

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	21/04/2005	09/05/2011	2016
PricewaterhouseCoopers Audit SA Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers - 92200 Neuilly-sur-Seine - France Represented by Benoît Audibert	25/04/2003	09/05/2007	2012
Substitute Auditors			
BEAS Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 7/9, villa Houssay - 92200 Neuilly-sur-Seine – France	21/04/2005	09/05/2011	2016
Anik Chaumartin Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers - 92200 Neuilly-sur-Seine – France	09/05/2007	-	2012

* 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)			%		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
Statutory and contractual audits												
Issuer	224,875	224,875	224,875	66%	66%	66%	224,875	224,875	224,875	85%	94%	59%
Fully consolidated subsidiaries	94,625	89,725	89,725	28%	27%	27%						
Audit-related services												
Issuer	20,000	24,500	25,000	6%	7%	7%	39,500	15,000	154,000	15%	6%	41%
Fully consolidated subsidiaries												
Sub-total	**339,500**	**339,100**	**339,600**	**100%**	**100%**	**100%**	**264,375**	**239,875**	**378,875**	**100%**	**100%**	**100%**
Other services Legal and tax advice												
Legal and tax advice	-	-	-	-	-	-	-	-	153,000	-		100%
Other												
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**153,000**	**-**	**-**	**100%**
Total	**339,500**	**339,100**	**339,600**	**100%**	**100%**	**100%**	**264,375**	**239,875**	**531,875**	**100%**	**100%**	**100%**

2. Additional legal information

Corporate name and registered office

- Corporate name: Société Foncière Lyonnaise
- Registered office: 40 rue Washington, 75008 Paris, France
- Phone: 00 33 (0)1 42 97 27 00

Legal form

"Société anonyme" (public limited company) governed by the French Commercial Code.

Governing Law

French law.

Date of incorporation and term

- Incorporated on 9 October 1879.
- Term: 8 October 2064.

Corporate purpose
(Article 3 of the Articles of Association)

The Company's purpose is to:

- Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
- Sell or exchange such properties, for cash or for shares.
- Manage properties on behalf of third parties.
- Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
- Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 - NAF Code: 6820B.

Financial year

1 January to 31 December.

Market for the Company's shares

SFL shares are quoted on NYSE Euronext Paris, compartment A
ISIN: 0000033409
Reuters: FLYP.PA
Bloomberg: FLY.FP

3. Additional information about the company's capital and share ownership

3.1 Excerpts from the Articles of Association concerning the Company's capital and share ownership

Changes in capital
(Articles 6, 7 and 8 of the Articles of Association)
The Company's capital may be increased on one or more occasions by any method provided for by law.

The share capital is increased by the issue of ordinary shares or preference shares, or by raising the par value of existing shares. It may also be increased through the exercise of rights attached to securities with rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.

Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

Amendments of shareholders' rights
(Article 9 of the Articles of Association)
Where called but unpaid amounts on partially paid-up shares are not settled in accordance with the terms and conditions determined by the Board of Directors, said outstanding amounts shall accrue interest on a daily basis, calculated at the legal interest rate, without any requirement for an application to court.

In addition, in order to obtain any such called but unpaid amounts, the Company shall be entitled to sell the shares concerned and to take all appropriate action as provided for by law.

In such a case the Company shall serve the defaulting shareholder with a formal notice to pay, by way of a registered letter with return receipt requested. If the amount due is not settled within thirty days of service of the said notice the unpaid shares shall be stripped of attendance and voting rights for shareholders' meetings as well as dividend rights and pre-emptive subscription rights for subsequent share issues. However, following the payment of all outstanding amounts due to the Company (corresponding to the principal amount plus interest and costs), the shareholder concerned may request the payment of any dividends that are not time-barred and will recover their rights to attend and vote at shareholders' meetings.

Identification of shareholders
(Article 10 of the Articles of Association)
Fully paid up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.

The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

Disclosure thresholds
Obligations relating to the applicable disclosure thresholds are described on page 39 of the Management Report.

Rights attached to shares
(Articles 11, 12, 13 and 14 of the Articles of Association)
Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners ("nu-propriétaires") and the beneficial owners ("usufruitiers") of any jointly held shares.

If several persons own one share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledger.

In the event of a capital increase, any pre-emptive subscription or allocation rights attached to shares that have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.

The Company's bearer shares may be traded on the stock market in accordance with the applicable law. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.

The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

Appropriation of profits
(Article 33 of the Articles of Association)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provisions, shown in the profit and loss account.

At least 5% of net profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve, until such time as the legal reserve represents one tenth of the share capital.

Profit available for distribution consists of profit for the year, less any losses carried forward from prior years and any amounts transferred to the legal reserve as provided for above, plus retained profits carried forward from prior years.

Total profit available for distribution is appropriated as follows:

- to provident reserves or any other reserves, by decision of the Annual General Meeting;
- to dividends payable to shareholders.

Any unappropriated balance is carried forward to the next year.

3.2 Share capital

Share capital at 31 December 2012

As of 31 December 2012, 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 9 May 2011 granted the Board of Directors a 26-month delegation of competence to decide the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares and securities with rights to ordinary shares. The aggregate amount by which the capital may be increased under this authorisation is capped at €100 million.

An additional 26-month delegation of competence was granted to the Board in the case of issues of ordinary shares and securities with rights to shares without pre-emptive subscription rights, to set the issue price by the method decided by the shareholders in General Meeting instead of applying the pricing rules specified by law. Under the terms of the resolutions, the Board is authorised:

- In the case of any share issue with or without pre-emptive subscription rights that is oversubscribed, to increase the number of shares offered.

- To issue ordinary shares and securities with rights to shares, without pre-emptive subscription rights, in payment for shares tendered to a public exchange offer for the shares of another company made by SFL. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed €100 million.

- To issue ordinary shares or securities with rights to shares, without pre-emptive subscription rights, in payment for shares or securities with rights to shares contributed to SFL. The aggregate par value of ordinary shares that may be issued under this authorisation shall not exceed 10% of the Company's share capital.

– To issue securities with rights to debt securities, provided that the aggregate amount of debt securities issued directly and indirectly on exercise of rights attached to the original securities does not exceed €2 billion.

– To increase the capital by a maximum of €25 million by capitalising reserves, profits or share premiums.

– To issue ordinary shares for cash to employees and retired employees who are members of a Sharesave Plan set up by the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code, provided that the aggregate par value of the new shares does not exceed €500,000, and to make grants of existing or newly issued ordinary shares or securities with rights to shares to employees and officers. The aggregate par value of new shares, if any, issued under this latter authorisation is also capped at €500,000 and will be paid up by capitalising reserves, profits or share premiums.

The Board will propose that shareholders renew these authorisations and delegations at the Annual General Meeting on 18 April 2013.

In addition, the Annual General Meeting of 9 May 2011 authorised the Board of Directors:

– To grant stock options to employees and officers of the Company and/or related companies within the meaning of Article L.225-180 of the French Commercial Code. These option grants are subject to a ceiling of 3% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

– To make share grants to employees – or certain categories of employees – and officers of the Company and/or related companies within the meaning of Article L.225-197-2 of the French Commercial Code. The number of shares granted under the authorisation may not represent over 1% of the Company's issued capital at the date of the General Meeting and the authorisation will cover a period of thirty-eight months.

The Annual General Meeting of 19 April 2012 authorised the Board of Directors to cancel, on one or several occasions, all or some of the shares acquired by the Company under various shareholder-approved buyback programmes, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Shareholders will be asked to renew this authorisation at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2012.

The shareholder authorisations concerning treasury shares are described on page 36 et seq. of the Management Report.

Authorised, issued capital

None.

Pledges of the Company's shares

The SFL shares held by Colonial have been lodged as collateral for borrowings under Colonial's syndicated line of credit, which amounted to €1,714 million at 31 December 2012. Further details are contained in the Financial Statements Report published on: http://www.inmocolonial.com/en/informaciones-para-accionistas-inversores/

3.3 Ownership structure

SFL's ownership structure is described on page 33 of the Management Report.

As far as the Company is aware, no arrangements exist whose implementation may result in a change in control in the future.

3.4 Shareholder's pacts

See page 39 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

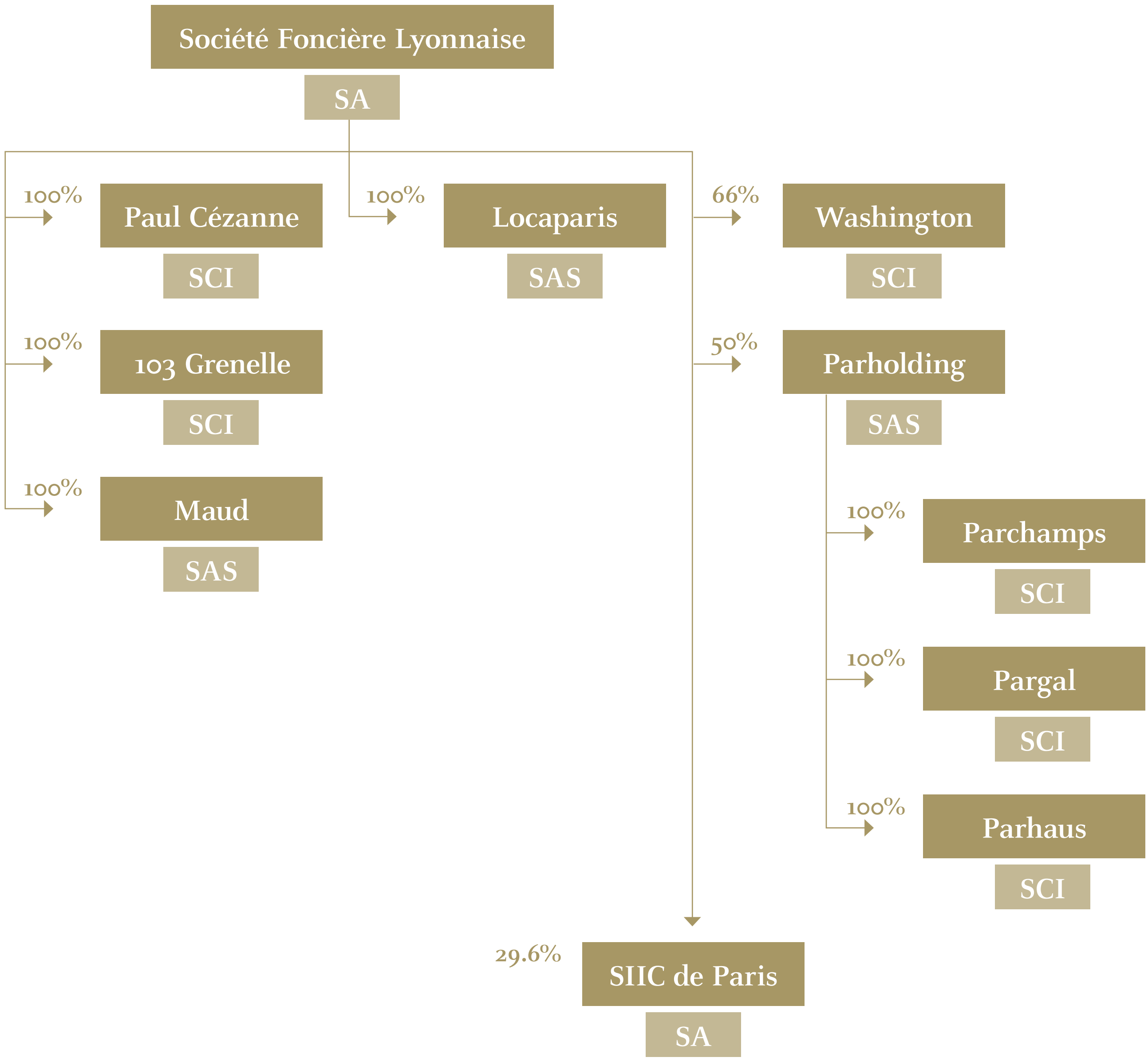
3.5 Corporate governance

In application of Article 21 of the Articles of Association, the functions of Chairman of the Board and Chief Executive Officer were separated on 14 April 2010.

The Chairman's report on corporate governance and internal control can be found on page 86 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

Property valuation report

SFL's entire property portfolio was valued at 31 December 2012 by a group of three independent firms: CB Richard Ellis Valuation, Jones Lang Lasalle Expertises and BNP Paribas Real Estate Expertise.

The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF 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 was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuers noted that fourth-quarter 2012 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 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 are stated including transfer costs (calculated on the basis of a standard 6.2% rate for all properties subject to registration duties) and also excluding transfer costs and transaction expenses.

At the request of the Group, the valuation method used in 2012 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, Group share, at 31 December 2012 is **€3,456,886,938 excluding transfer costs and €3,620,460,401 including transfer costs (see attached table for values per building).**

Denis François
Expert en Évaluation Immobilière – FNAIM

BNP PARIBAS REAL ESTATE
VALUATION FRANCE
Adresse : 167, quai de la Bataille de Stalingrad
92867 ISSY-LES-MOULINEAUX Cedex
327 657 169 RCS NANTERRE

Jones Lang LaSalle Expertises
S.A.S. au capital de 37 000 Euros

5. Documents on display

All legal documents related to the Company's activities may be consulted at SFL's registered office at 40 rue Washington, 75008 Paris, France, as well as on the Company's website at www.fonciere-lyonnaise.com.

List of information published or publicly disclosed in 2012

In accordance with the requirements of Article 222-7 of the General Regulations of the AMF, the following table sets out all the information published or publicly disclosed by the issuer over the last twelve months pursuant to the applicable laws and regulations.

Title	Filing/ publication date	Filed with/ published by	Address for consultation
Half-yearly report on the liquidity contract	2/1/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
CBRE Global Investors, a world leader in real estate investment management, moves into Edouard VII	3/1/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 November and 31 December 2011	20/1/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL's 2011 Results SFL issues performance shares (in French only) (Published in accordance with Articles 212-4 5° and 212-5 6° of the AMF's general rules) (Published in accordance with the AFEP-MEDEF corporate governance code for listed companies)	16/2/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Jean-Luc Potier to leave Société Foncière Lyonnaise	22/2/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 January 2012	1/3/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 29 February 2012	14/3/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of Meeting (in French only)	14/3/2012	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Ordinary and Extraordinary General Meeting of 19 April 2012 (in French only)	29/3/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of AGM (in French only)	30/3/2012	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Publication of the 2011 registration document (in French only)	6/4/2012	Autorité des Marchés Financiers	www.amf-france.org
Information on the total number of voting rights as of 31 March 2012 The Company announces the publication of its 2011 registration document	10/4/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL – First Quarter 2012	17/4/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 April 2012	30/4/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Approval of the financial statements for the year ended 31 December 2011 (in French only)	2/5/2012	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Information on the total number of voting rights as of 31 May 2012	7/6/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
251 Saint-Honoré is not currently up for sale	21/6/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 30 June 2012 Half-yearly report on the liquidity contract	5/7/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Ozone by SFL fully leased	17/7/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL – First-Half 2012 Results	24/7/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL releases its 2012 interim financial report	26/7/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 July 2012	6/9/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
New €206 million loan	26/9/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com

Title	Filing/ publication date	Filed with/ published by	Address for consultation
Information on the total number of voting rights as of 31 August 2012 (in French only)	27/9/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL to distribute €0.70 per share	1/10/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of Meeting (in French only)	8/10/2012	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Another two units let in Carré Édouard VII by SFL	16/10/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL – Third Quarter 2012	22/10/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
MoneyGram chooses Cezanne Saint-Honoré by SFL Information on the total number of voting rights as of 30 September 2012	23/10/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Ordinary General Meeting of 15 November 2012 (in French only)	25/10/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice of AGM (in French only)	29/10/2012	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Work progressing on the Cardinal project	5/11/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Paris leases additional units at 103 Grenelle	13/11/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL successfully completes €500 million bond issue	16/11/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 October 2012	20/11/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL issues fixed-rate bonds on NYSE Euronext Paris (in French only)	26/11/2012	Autorité des Marchés Financiers	www.amf-france.org
SFL signs an agreement to sell the Mandarin Oriental building	29/11/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Notice to stock option holders (in French only)	7/12/2012	Bulletin des Annonces Légales Obligatoires	http://www.journal-officiel.gouv.fr/balo
Information on the total number of voting rights as of 30 November 2012 (in French only)	21/12/2012	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 December 2012	4/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
An excellent marketing year for SFL in 2012	16/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Ariba signs lease for 1,600 sq.m. in Louvre des Entreprises	22/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Half-yearly report on the liquidity contract	23/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Alexia Karsenty Abtan named Marketing Director at SFL	24/1/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
Information on the total number of voting rights as of 31 January 2013	7/2/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL sells the Mandarin Oriental Paris	8/2/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com
SFL's 2012 Results	14/2/2013	Société Foncière Lyonnaise	http://www.fonciere-lyonnaise.com

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Historical financial information

Financial statements and Statutory Auditors' reports for 2012: see table above.

Pursuant to Article 2012 of the AMF general regulations, the following information is incorporated by reference:

- The consolidated financial statements for the year ended 31 December 2010, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 127-167 and 194-195 of the 2010 Registration Document filed with the AMF on 20 April 2011 under No. D.11-0337.
- The consolidated financial statements for the year ended 31 December 2011, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 85-122 and 147 of the 2011 Registration Document filed with the AMF on 6 April 2012 under No. D.12-0300.

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