

14:45-16:00 - Panel 1 - Marly

“Development & Competitiveness of SIIC – the French REITS Regime”



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SIIC business model

Founded in 1879...

SFL's business model was fundamentally changed by SIIC option in 2003:

- From **asset accumulation** with the principal aim of protecting shareholders from systemic inflation in a high corporation tax environment
- To **active asset management** with the aim of optimising payout to shareholders

- Increase in asset rotation,
- Increase in commercial property component
- Increase in dividend amount and regularity,
- Increase in underlying share price.

Increase in asset rotation

Ability to:

- trade assets freely
- re-focus the portfolio without tax constraints

Concentration on core skills in grade A property in the CBD of the largest and most liquid office market in continental Europe.

In a market which has a high entrance threshold, SFL is still focussed on new opportunities in its core market :

- Compatible with a Balance Sheet with room for further leverage. (NB interest charges are no longer deductible)
- Including a significant 'development' and refurbishment pipeline.

→ A business profile aligned with market opportunities

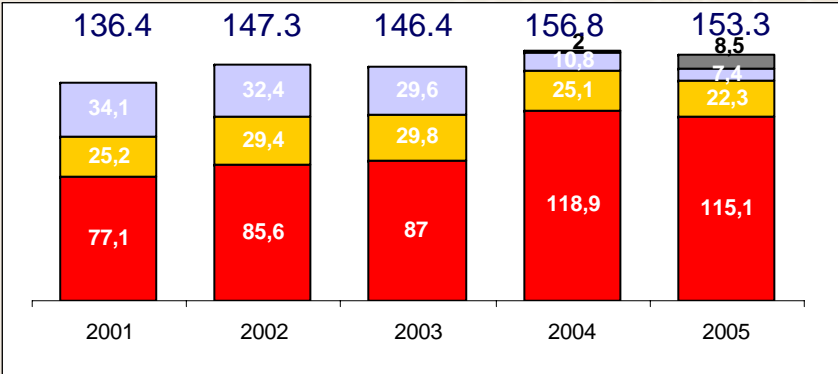
Increase in dividend amount and regularity

- Intensive management efforts to prolong average lease duration
- Interim dividend payout
- The significant return to shareholders of cash-flow **and** profits on sales has underlined the intrinsic quality of SIIC as yield stocks
- Analysis of the sector is turning towards total distributable cash-flow and away from fully-diluted NAV
- The disappearance of a structural discount has enabled the sector to raise new capital through the market

Increasing overall shareholder return
→ Into the 'virtuous' circle

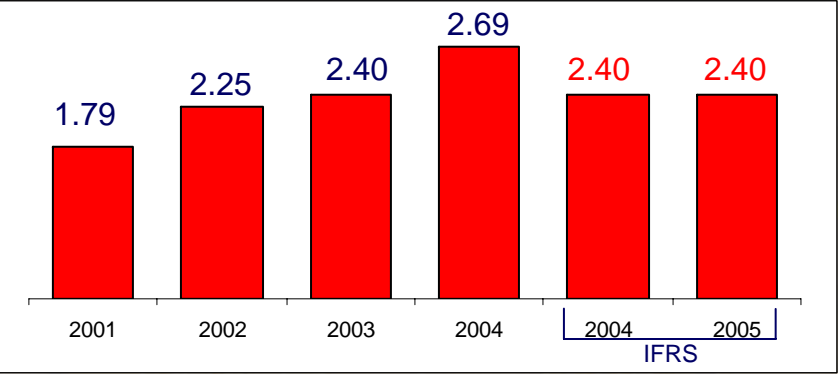
Increase in market metrics

Property rentals
(in euro millions)

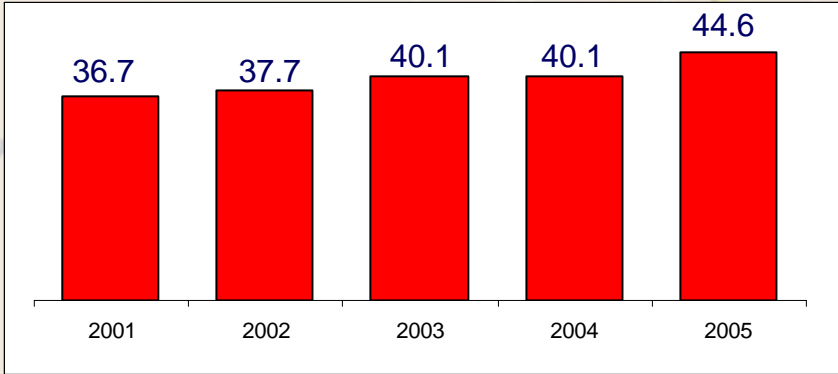


■ Retail
■ Offices
■ IFRS adjustments
■ Other (parking + residential + professional)

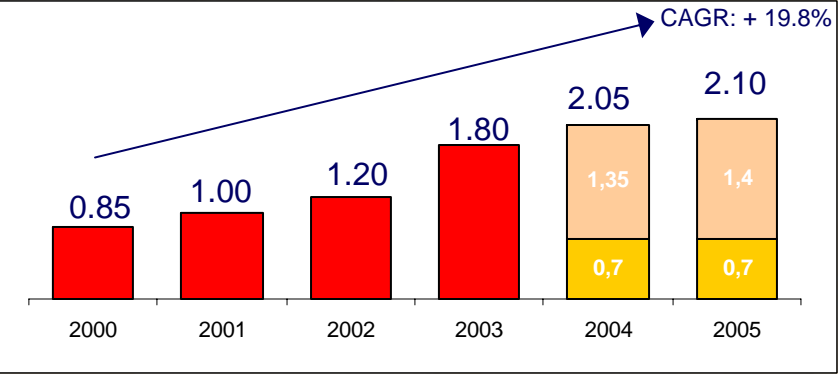
Current cash flow per share
(in euros)



NAV per share
(in euros, including transfer costs)



Net dividend per share
(in euros per share)



■ Final dividend
■ Interim dividend



Source: SFL Annual Report 2005

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