

SOCIETE FONCIERE LYONNAISE



**€500,000,000 1.875 per cent. Notes
due 26 November 2021**

Issue Price: 99.877 per cent.

This document constitutes a prospectus (the **Prospectus**) for the purposes of Article 5.3 of Directive 2003/71/EC of the European Parliament and the Council dated 4 November 2003, as amended by Directive 2010/73/EU (the **Prospectus Directive**). Application has been made to the *Autorité des marchés financiers* (**AMF**) for approval of this Prospectus in its capacity as competent authority pursuant to Article 212-2 of its *Règlement Général* which implements the Prospectus Directive.

The €500,000,000 1.875 per cent. notes of Société Foncière Lyonnaise (the **Issuer**) maturing 26 November 2021 (the **Notes**) will be issued on 26 November 2014.

Interest on the Notes will accrue from, and including, 26 November 2014 at the rate of 1.875 per cent. *per annum*, payable annually in arrear on 26 November in each year, and for the first time on 26 November 2015 for the period from, and including, 26 November 2014 to, but excluding, 26 November 2015. Payments of principal and interest on the Notes will be made without deduction for or on account of taxes of the Republic of France in accordance with Condition 8 of the Terms and Conditions of the Notes "Taxation".

Unless previously redeemed or purchased and cancelled, in accordance with the terms and conditions of the Notes, the Notes will be redeemed at par on 26 November 2021 (the **Maturity Date**). The Issuer may, at its option (i) from and including 26 August 2021 to but excluding the Maturity Date, redeem the Notes outstanding, in whole or in part, at par plus accrued interest, in accordance with the provisions set out in Condition 6(d) of the Terms and Conditions of the Notes "Residual Maturity Call option" and (ii) redeem the Notes, in whole or in part, at any time or from time to time, prior to their Maturity Date, in accordance with the provisions set out in Condition 6(c) of the Terms and Conditions of the Notes "Make Whole Redemption by the Issuer".

The Notes may also, and in certain circumstances shall, be redeemed before the Maturity Date, in whole only but not in part, at par, together with, if applicable, accrued interest, notably in the event of any change in taxation as described under Condition 8 of the Terms and Conditions of the Notes "Taxation" or if any event occurs as described under Condition 10 of the Terms and Conditions of the Notes "Events of default". In addition, in the event of the occurrence of a Restructuring Event, Noteholders will be entitled to request the Issuer to redeem their Notes at their principal amount together with, as the case may be, any accrual interest, all as defined and in accordance with Condition 6(e) of the Terms and Conditions of the Notes "Redemption at the option of the Noteholders".

The Notes will be issued in dematerialised bearer form in the denomination of € 100,000. Title to the Notes will be evidenced by book entries in accordance with Articles L.211-3 et seq. and R.211-1 of the French *Code monétaire et financier*. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French Code monétaire et financier) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed on 26 November 2014 in the books of Euroclear France which shall credit the accounts of the Account Holders. **Account Holders** shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V.

Application has been made for the Notes to be listed and admitted to trading on the regulated market (within the meaning of directive 2004/39/EC as amended) of Euronext Paris S.A.

The Notes are expected to be rated BBB- by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.

At the date of this Prospectus, the long-term corporate rating of the Issuer assigned by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. is BBB- with a stable outlook. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. At the date of this Prospectus, Standard & Poor's Rating Services is established in the European Union, registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council dated 16 September 2009, as amended (the **CRA Regulation**) and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with CRA Regulation.

See the "Risk Factors" section for a description of certain factors which should be considered by potential investors in connection with any investment in the Notes.

This Prospectus is available free of charge on the websites of the Issuer (www.fonciere-lyonnaise.com) and of the AMF (www.amf-france.org).

Joint Lead Managers

BNP PARIBAS

Crédit Agricole CIB

HSBC

Natixis

**Société Générale Corporate & Investment
Banking**

*The Issuer, having made all reasonable enquiries, confirms that, to the best of its knowledge, this Prospectus contains or otherwise incorporates by reference all information with respect to the Issuer, the Issuer and its consolidated subsidiaries taken as a whole (the **Group**) as well as the Notes which is relevant in the context of the issue and offering of the Notes, that such information is in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility accordingly.*

*Neither BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Natixis nor Société Générale (together, the **Joint Lead Managers**) have separately verified the information contained in this Prospectus. The Joint Lead Managers do not make any representation, express or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer or the Joint Lead Managers that any recipient of this Prospectus or any other financial statements should purchase the Notes.*

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer of, or an invitation by (or on behalf of), any of the Issuer or the Joint Lead Managers to subscribe or purchase any of the Notes.

No person is authorised to give any information or to make any representation related to the issue or to the sale of the Notes not contained in this Prospectus. Any information or representation not so contained herein must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. The delivery of this Prospectus or any sale of Notes at any time does not imply (i) that there has been no change with respect to the Issuer or the Group since the date hereof and (ii) that the information contained or incorporated by reference in it is correct as at any time subsequent to its date.

The Prospectus and any other information relating to the Issuer or the Notes are not intended to constitute any credit or other evaluation of the financial position of the Issuer or of the Notes and should not be considered as a recommendation by any of the Issuer or the Joint Lead Managers to purchase the Notes. Each prospective investor of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial or general condition of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or prospective investor in the Notes of any information coming to its attention. Investors should review, inter alia, the documents incorporated by reference into this Prospectus when deciding whether or not to subscribe for or to purchase the Notes. Investors should in particular conduct their own analysis and evaluation of risks relating to the Issuer, its business, its financial condition and the issued Notes and consult their own financial or legal advisers about risks associated with investing in the Notes and the suitability of investing in the Notes in light of their particular circumstances.

Potential investors should read carefully the section entitled "Risk Factors" set out in this Prospectus before making a decision to invest in the Notes.

The distribution of this Prospectus and the offering or the sale of the Notes in certain jurisdictions may be restricted by law or regulation. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or any of the Joint Lead Managers which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Note may be offered or sold, directly or indirectly, and neither this Prospectus nor any offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of Notes and distribution of this Prospectus and of any other offering material relating to the Notes, see section "Subscription and Sale" below.

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the **Securities Act**). In accordance with U.S. laws, and subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons, both as defined in Regulation S under the Securities Act (the **Regulation S**).*

This Prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net

worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as **relevant persons**). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

In connection with the issue of the Notes, HSBC Bank plc (the **Stabilising Manager**) (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date of which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the date on which the Issuer received the proceeds of the issue of the Notes and sixty (60) days after the date of the allotment of the Notes. Such stabilisation will be carried out in accordance with all applicable rules and regulations.

In this Prospectus, references to **€**, **EURO**, **EUR** or to **euro** are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997).

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain statements that are forward-looking including statements with respect to the Issuer's and the Group's business strategies, expansion and growth of operations, trends in the business, competitive advantage, and technological and regulatory changes, information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words "believe", "expect", "project", "anticipate", "seek", "estimate" or similar expressions. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

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**PERSON RESPONSIBLE
FOR THE INFORMATION CONTAINED
IN THE PROSPECTUS**

Person assuming responsibility for this Prospectus:

Nicolas Reynaud, Managing director of Société Foncière Lyonnaise.

Declaration by person responsible for this Prospectus:

After having taken all reasonable measures in this regard, I hereby certify that the information contained in this Prospectus is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import. The Issuer accepts responsibility accordingly.

Nicolas Reynaud,
Managing director of Société Foncière Lyonnaise.

Paris, 24 November 2014

SOCIETE FONCIERE LYONNAISE

42, rue Washington
75008 Paris
France

duly represented by
Nicolas Reynaud, Managing director



Autorité des marchés financiers

In accordance with Articles L. 412-1 and L. 621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the Autorité des marchés financiers (AMF), in particular Articles 211-1 to 216-1, the AMF has granted to this Prospectus the visa no. 14-615 on 24 November 2014. This Prospectus has been prepared by the Issuer and its signatories assume responsibility for it. In accordance with Article L. 621-8-1-I of the French *Code monétaire et financier*, the visa has been granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it and the appropriateness of the issue of the Notes.

**DOCUMENTS INCORPORATED
BY REFERENCE**

This Prospectus shall be read and construed in conjunction with:

- the French language 2013 annual report of the Issuer (the **2013 Annual Report**), including the 2013 reference document of the Issuer (also untitled financial and legal report) (the **2013 Reference Document**) dated 10 April 2014 filed with the Autorité des marchés financiers (the **AMF**) under number D.14-0339, and
- the French language 2012 annual report of the Issuer (the **2012 Annual Report**), including the 2012 reference document of the Issuer (also untitled financial and legal report) (the **2012 Reference Document**) dated 10 April 2013 filed with the AMF under number D.13-0328,
- the French language semi-annual financial report (*rapport financier semestriel*) covering the period from 1 January 2014 to 30 June 2014 (the **2014 Semi-Annual Financial Report**) which has been filed with the AMF,

which are incorporated by reference in, and shall be deemed to form part of, this Prospectus, except for the third paragraph of the "*attestation du responsable du document de référence*" respectively on pages 208 and 206 of the 2013 Reference Document and 2012 Reference Document.

A free non binding English translation of the 2013 Reference Document, the 2012 Reference Document and the 2014 Semi-Annual Financial Report, for information purposes only, is available on the website of the Issuer (www.fonciere-lyonnaise.com).

Copies of the documents incorporated by reference are available without charge (i) on the Issuer's website (www.fonciere-lyonnaise.com) and (ii) upon request at the principal office of the Issuer or of the Paying Agent during normal business hours so long as any of the Notes is outstanding, as described in "General Information" below. The 2013 Reference Document and the 2012 Reference Document are available without charge on the website of the AMF (www.amf-france.org).

The information incorporated by reference in this Prospectus shall be read in connection with the cross reference list below. Any information not listed in the following cross-reference list but included in the documents incorporated by reference in this Prospectus is given for information purposes only.

Information incorporated by reference (Annex IX of the European Regulation 809/2004/EC)	
References	
2. Statutory auditors	Page 209 of the 2013 Reference Document
3. Risk factors	Pages 22 to 30 of the 2013 Reference Document Pages 6 to 7 and 35 to 36 of the 2014 Semi-Annual Financial Report
5. Business overview	
5.1 <u>Principal activities</u>	
5.1.1 Principal activities	Pages 5 to 6 of the 2013 Reference Document Pages 4 to 5 of the 2014 Semi-Annual Financial Report
5.1.2 Basis for any statement made regarding competitive position	N/A
6. Organisational structure	
6.1 Description of the group	Pages 9 and 214 of the 2013 Reference Document
6.2 Dependence of the Issuer towards another entity within the Group	N/A

8.	Profit forecasts or estimates	N/A
9.	Administrative, management and supervisory bodies	
9.1	Information concerning the administrative and management bodies	Pages 10 to 13 and 100 to 111 of the 2013 Reference Document Page 3 of the 2014 Semi-Annual Financial Report
9.2	Administration, management and supervisory bodies Conflicts of interests	Pages 104, 112 and 114 of the 2013 Reference Document
10.	Major shareholders	
10.1	Ownership and control	Pages 26, 31 to 32 of the 2013 Reference Document
10.2	Arrangement the operation of which may result in a change of control	Pages 38 to 40 of the 2013 Reference Document
11.	Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses	
11.1	<u>Audited consolidated annual financial statements for the year ended 31 December 2013</u>	
–	Consolidated statement of financial position	Pages 144 to 145 of the 2013 Reference Document
–	Consolidated statement of comprehensive income	Page 146 of the 2013 Reference Document
–	Notes	Pages 149 to 175 of the 2013 Reference Document
–	Auditors' report	Page 199 of the 2013 Reference Document
11.1	<u>Audited consolidated annual financial statements for the year ended 31 December 2012</u>	
–	Consolidated statement of financial position	Pages 140 to 141 of the 2012 Reference Document
–	Consolidated statement of comprehensive income	Page 142 of the 2012 Reference Document
–	Notes	Pages 145 to 173 of the 2012 Reference Document
–	Auditors' report	Pages 197 of the 2012 Reference Document
	<u>Consolidated semi-annual financial statements 1 January 2014 – 30 June 2014:</u>	
–	Consolidated statement of financial position	Page 10 of the 2014 Semi-Annual Financial Report
–	Consolidated statement of comprehensive income	Page 11 of the 2014 Semi-Annual Financial Report
–	Notes	Pages 14 to 41 of the 2014 Semi-Annual Financial Report
–	Auditors' report	Pages 42 to 44 of the 2014 Semi-Annual Financial Report
	<u>Other financial information concerning the Issuer's assets and liabilities, financial position and profits and losses:</u>	
		Pages 3 to 4 of the 2014 Semi-Annual Financial Report

11.5 <u>Legal and arbitration proceedings</u>	Page 30 of the 2013 Reference Document
12. <u>Material contracts</u>	Page 214 of the 2013 Reference Document

RISK FACTORS

The following are certain risk factors relating to the offering of the Notes of which prospective investors should be aware. Prior to making an investment decision, prospective investors should consider carefully all the information set out in this Prospectus, including in particular the risk factors detailed below, and consult with their own financial and legal advisors as to the risks entailed by an investment in the Notes. The following statements are not exhaustive. In addition, investors should be aware that the risks described may be combined and thus interrelated with one another. Prospective investors should make their own independent evaluations of all investment considerations and should also read the detailed information set out elsewhere in this Prospectus. Terms defined in the section "Terms and Conditions of the Notes" of this Prospectus shall have the same meaning where used below.

1. Risks relating to the Issuer

Risks factors linked to Société Foncière Lyonnaise as Issuer, include:

- liquidity risk,
- counterparty risk,
- currency risk,
- interest rate risk,
- risk relating to changes in the economic environment and the property market,
- risk associated with a highly competitive property investment market,
- risks associated with tenants,
- risks associated with the availability and cost of financing,
- risk associated with the loss of key personnel,
- risks associated with subcontractors and other service providers,
- risks associated with the regulatory environment,
- risks associated with government-related procedures,
- risks associated with neighbourhood complaints,
- risks associated with the majority shareholder, and
- risks associated with the SIIC tax regime.

Risks factors linked to the Issuer and its activity are described in pages 22 to 29 of the 2013 Reference Document and pages 6 to 7, and 35 to 36 of the 2014 Semi-Annual Financial Report (*Rapport Financier Semestriel 2014*) of the Issuer which are incorporated by reference herein.

2. Risks linked to the Notes

(a) Investors

Potential investors should:

- be experienced with respect to transactions on capital markets and notes and should understand the risks of transactions involving the Notes;
- reach an investment decision only after careful consideration of the information set forth in this Prospectus and general information relating to Notes;

- ensure that they have sufficient financial resources to bear the risks of purchase of the Notes;
- have sufficient knowledge of the nature of Notes, the merits and risks of investing in the relevant Notes and verify the suitability of such investment in light of their particular financial situation; and
- make their own assessment of the legal, tax, accounting and regulatory aspects of purchasing the Notes.

Each potential investor should consult its legal advisers on legal, tax and related aspects of investment in the Notes. A prospective investor may not rely on the Issuer or the Joint Lead Managers or any of their respective affiliates in connection with its determination as to the legality and suitability of its acquisition of the Notes or as to the other matters referred to above.

Potential investors should be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect their investment and their ability to bear the applicable risks.

Some potential investors are subject to restricting investment regulations. These potential investors should consult their legal counsel in order to determine whether investment in the Notes is authorised by law, whether such investment is compatible with their other borrowings and whether other selling restrictions are applicable to them.

Legality of Purchase

Neither the Issuer, the Joint Lead Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the subscription or acquisition of the Notes by a prospective investor in the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

(b) Risks related to the Notes generally

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to pay additional amounts in respect of any Notes due to any withholding as provided in Condition 8 of the Terms and Conditions of the Notes "Taxation", the Issuer may and, in certain circumstances shall, redeem all of the Notes then outstanding in accordance with such Condition.

In addition, the Issuer may, at its option (i) from and including 26 August 2021 to but excluding the Maturity Date, redeem the Notes outstanding, in whole or in part, at par plus accrued interest, as provided in Condition 6(d) of the Terms and Conditions of the Notes and (ii) redeem, in whole or in part, the then outstanding Notes at any time prior to the Maturity Date, at the relevant make whole redemption amount, as provided in Condition 6(c) of the Terms and Conditions of the Notes.

The Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. The price at which a Noteholder will be able to sell the Notes prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

Both the Make Whole Redemption by the Issuer and the Residual Maturity Call Option by the Issuer are exercisable in whole or in part and exercise of the Make Whole Redemption by the Issuer and the Residual Maturity Call Option by the Issuer in respect of certain Notes may affect the liquidity of the Notes in respect of which such option is not exercised

Both the Make Whole Redemption by the Issuer provided in Condition 6(c) of the Terms and Conditions of the Notes and the Residual Maturity Call Option by the Issuer provided in Condition 6(d) of the Terms and Conditions of the Notes are exercisable in whole or in part. Depending on the number of Notes in respect of which such option is exercised, any trading market in respect of those Notes in respect of which such option is not exercised may become illiquid.

Modification of the Terms and Conditions of the Notes

The Noteholders (as defined in the Terms and Conditions of the Notes) will be grouped automatically for the defence of their common interests in a *Masse*, as defined in Condition 12 of the Terms and Conditions of the Notes "Representation of the Noteholders", and a general meeting of Noteholders can be held. The Terms and Conditions of

the Notes permit in certain cases defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant general meeting and Noteholders who voted in a manner contrary to the majority.

The general meeting of Noteholders may, subject to the provisions of Condition 12 of the Terms and Conditions of the Notes "Representation of the Noteholders", deliberate on any proposal relating to the modification of the Terms and Conditions of the Notes, notably on any proposal, whether for arbitration or settlement, relating to rights in controversy or which were subject of judicial decisions.

Credit Risk of the Issuer

The value of the Notes will depend on the creditworthiness of the Issuer. If such creditworthiness deteriorates, the value of the Notes may decrease and investors may then lose all or part of their investment.

Change of Control

In the event of the occurrence of a Restructuring Event and pursuant to the occurrence of certain events (as more fully described in Condition 6(e) of the Terms and Conditions of the Notes "Redemption at the option of the Noteholders"), each Noteholder will have the right to request the Issuer to redeem the Notes held by him at their principal amount together with any accrued interest. In such case, any trading market in respect of those Notes in respect of which such redemption right is not exercised may become illiquid. In addition, investors may not be able to reinvest the moneys they receive upon such early redemption in securities with the same yield as the redeemed Notes.

Change of law

The Terms and Conditions of the Notes are based on French law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial or administrative decision or change to the laws of France or administrative practice or the official application or interpretation of French law after the date of this Prospectus. Furthermore, the Issuer operates in a heavily regulated environment and has to comply with extensive regulations in France and elsewhere. No assurance can be given as to the impact of any possible judicial decision or change to laws or administrative practices after the date of this Prospectus.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial notes such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The rate of the applicable withholding tax is currently 35%. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced

its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

The proposed financial transaction tax (the FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

French Insolvency Law

Under French insolvency law, holders of debt securities are automatically grouped into a single assembly of holders (the **Assembly**) in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*), an accelerated financial safeguard procedure (*procédure de sauvegarde financière accélérée*), an accelerated safeguard procedure (*procédure de sauvegarde accélérée*) or a judicial reorganisation procedure (*procédure de redressement judiciaire*) is opened in France with respect to the Issuer.

The Assembly comprises holders of all debt securities issued by the Issuer (including the Notes), whether or not under a debt issuance programme and regardless of their governing law.

The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*), accelerated financial safeguard plan (*plan de sauvegarde financière accélérée*), accelerated safeguard plan (*plan de sauvegarde accélérée*) or judicial reorganisation plan (*projet de plan de redressement judiciaire*) applicable to the Issuer and may further agree to:

- increase the liabilities (charges) of holders of debt securities (including the Noteholders) by rescheduling payments which are due and/or partially or totally writing-off debts;
- establish an unequal treatment between holders of debt securities (including the Noteholders) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into securities that give or may give right to share capital.

Decisions of the Assembly will be taken by a two-third (2/3rd) majority (calculated as a proportion of the debt securities held by the holders expressing a vote). No quorum is required to hold the Assembly.

The procedures, as described above or as they will or may be amended, could have an adverse impact on holders of the Notes seeking repayment in the event that the Issuer or its subsidiaries were to become insolvent.

For the avoidance of doubt, the provisions relating to the Representation of the Noteholders described in the Terms and Conditions of the Notes set out in this Prospectus will not be applicable to the extent they conflict with compulsory insolvency law provisions that apply in these circumstances.

Rating

The Notes are expected to be rated BBB- by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes.

At the date of this Prospectus, the long-term corporate rating of the Issuer assigned by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. is BBB- with a stable outlook. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. At the date of this Prospectus, Standard & Poor's Rating Services is established in the European Union, registered under Regulation (EU) No. 1060/2009 of the European Parliament and of the Council dated 16 September 2009, as amended (the **CRA Regulation**) and included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with CRA Regulation.

(c) Risks related to the market generally

Market value of the Notes

The market value of the Notes will be affected by the creditworthiness of the Issuer and a number of additional factors, including market interest and yield rates.

The value of the Notes depends on a number of interrelated factors, including economic, financial and political events in France or elsewhere, including factors affecting capital markets generally and the stock exchange on which the Notes are traded. The price at which a Noteholder will be able to sell the Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such purchaser.

No active secondary market for the Notes

An investment in the Notes should be considered primarily with a view to holding them until their maturity. Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of Euro or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. As a result, investors may receive less interest or principal than expected.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

TERMS AND CONDITIONS OF THE NOTES

*The terms and conditions of the Notes (the **Conditions**), subject to completion and amendment, will be as follows:*

The issue of the €500,000,000 1.875 per cent. Notes maturing on 26 November 2021 (the **Notes**) by Société Foncière Lyonnaise (the **Issuer**) was authorised pursuant to a resolution of the board of directors of the Issuer dated 2 October 2014.

The Notes are issued with the benefit of a fiscal agency agreement dated 24 November 2014 (the **Fiscal Agency Agreement**) between the Issuer and BNP Paribas Securities Services, as fiscal agent (the **Fiscal Agent** which expression shall, where the context so admits, include any successor for the time being as fiscal agent), calculation agent (the **Calculation Agent**) and paying agent (the **Paying Agent** which expression shall, where the context so admits, include any successor for the time being as paying agent).

References below to the **Noteholders** are to the holders of the Notes.

References below to **Conditions** are to the numbered paragraphs below.

1. Form, denomination and title

The Notes will be issued in dematerialised bearer form in the denomination of € 100,000 each. Title to the Notes will be evidenced in accordance with Articles L.211-3 et seq. of the French *Code monétaire et financier* by book-entries. No physical document of title (including *certificats représentatifs* pursuant to Article R.211-7 of the French *Code monétaire et financier*) will be issued in respect of the Notes.

The Notes will, upon issue, be inscribed in book entry form in the books of Euroclear France (**Euroclear France**) which shall credit the accounts of the Account Holders. For the purpose of these Conditions, **Account Holders** shall mean any intermediary institution entitled to hold, directly or indirectly, accounts on behalf of its customers with Euroclear France, Clearstream Banking, *société anonyme*, Luxembourg (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**).

Title to the Notes shall be evidenced by entries in the books of Account Holders and will pass upon, and transfer of Notes may only be effected through, registration of the transfer in such books.

2. Status of the Notes

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu* without any preference among themselves and (subject to such exceptions as are mandatory under French law) equally and rateably with all other present or future unsecured and unsubordinated obligations of the Issuer.

3. Negative Pledge

So long as any of the Notes remains outstanding (as defined below), the Issuer undertakes that it will, and ensures that its Material Subsidiaries will, not create or permit to subsist any mortgage, lien, charge, pledge or other form of security interest upon any of their respective assets or revenues, present or future, to secure any Bond Indebtedness (as defined below) incurred by it or one of its Material Subsidiaries (as defined below) or any guarantee or indemnity assumed or granted by it or one of its Material Subsidiaries (as defined below) in respect of any Bond Indebtedness, unless at the same time or prior thereto, the Issuer's obligations under the Notes are equally and rateably secured therewith.

For the purposes of the Conditions:

Bond Indebtedness means any present or future indebtedness for borrowed money, which is represented by bonds, notes or other securities (including *titres de créances négociables*) which are for the time being, or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter market or other securities market;

outstanding means, in relation to the Notes, all the Notes issued other than: (i) those which have been redeemed in accordance with the Conditions; (ii) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest accrued on such Notes to the date for such redemption and any interest payable under Condition 5 after such date) have been duly paid to the relevant Account Holders on behalf of the relevant Noteholders; (iii) those in respect of which claims have become prescribed under Condition 9; and (iv) those which have been purchased and cancelled as provided in Condition 6(f) and 6(g);

Subsidiary means each subsidiary, as defined in Article L.233-1 of the French *Code de commerce*, of the Issuer or an entity controlled (within the meaning of Article L.233-3 of the French *Code de commerce*) by the Issuer;

Material Subsidiary means, at any given date, a Subsidiary with a Portion of the Revalued Assets Value at least equal to five (5) per cent. of the Revalued Assets Value (as defined below); and

Portion of the Revalued Assets Value means, at any date and for a Material Subsidiary, the portion of the latest Revalued Assets Value (as defined below).

4. Restrictions on Secured Borrowings

The Issuer undertakes to the Noteholders that, so long as any of the Notes remains outstanding and except with the prior approval of the General Meeting (as defined under Condition 12 below) of the Noteholders, the Unsecured Revalued Assets Value (as defined below) shall not be less than the Relevant Debt (as defined below) at any time.

For the purposes of the Conditions:

Assets means for any Person all or any part of its property, assets, revenues (including any right to receive revenues) and uncalled capital;

Real Estate Assets means those Assets of any Person being real estate properties (being land and buildings (either completed or under construction) and equity or equivalent investments (*participations*) directly or indirectly in any other Person which is a *société à prépondérance immobilière* (or its equivalent in any other jurisdiction) or in any other Person (whether listed or not listed) whose more than fifty (50) per cent. of the Assets comprise real estate assets;

Relevant Debt means at any time the aggregate amount of the Financial Indebtedness of the Issuer as shown in, or derived from, the latest audited annual or unaudited semi-annual consolidated financial statements of the Issuer, excluding any Secured Debt;

Secured Debt means at any time the aggregate amount of the Financial Indebtedness of the Issuer as shown in, or derived from, the latest audited annual or unaudited semi-annual consolidated financial statements of the Issuer, that is secured by or benefits from a Security Interest over any of the Group's Assets;

Financial Indebtedness means at any time any obligation of a Person for the payment or repayment of money, whether present or future in respect of:

- (a) any outstanding principal amount (together with any fixed or minimum premium payable on final repayment) of all moneys borrowed (with or without security);
- (b) any amount raised under any acceptance credit opened by a bank or other financial institution;
- (c) any lease, sale-and-lease-back, sale-and-repurchase or hire purchase contracts or arrangements which is, in accordance with the relevant accounting principles at the time such contracts or arrangements were entered into, treated as financial debt (*emprunts et dettes financières*);
- (d) any amount raised pursuant to any issuance of shares (or equivalent) which are mandatorily redeemable (whether at their final maturity or upon the exercise by the holder of such shares (or equivalent) of any option) prior to the Maturity Date;
- (e) any outstanding amount of the deferred purchase price of Real Estate Assets where payment (or, if payable in instalments, the final instalment) is due more than one year after the date of purchase of such Real Estate Asset; or
- (f) any amount raised under any other transaction which is treated in accordance with the relevant accounting principles in the latest non-consolidated or consolidated balance sheet as financial debt (*emprunts et dettes financières*) (or, in the case of such amounts raised after the date hereof, would have been so treated had they been raised on or prior to such date);

provided that:

- (i) for the purposes of computing the outstanding principal amount of any Financial Indebtedness in paragraphs (a) to (f) above, any interest, dividends, commissions, fees or the like shall be excluded save to the extent that they have been capitalised; and
- (ii) no amount shall be included or excluded more than once in calculating the amount of principal outstanding in respect of any Financial Indebtedness;

Property Valuers means the or those property valuer(s) of the Issuer referred to in its most recent annual report or (in the event that the Issuer publishes semi-annual financial information including revaluations of its Real Estate Assets as provided in the definition of Revalued Assets Value) in its most recent semi-annual management report (or any of their respective successors), or any other recognised property valuer of comparable repute as selected by the Issuer;

Group means the Issuer and its consolidated subsidiaries taken as a whole;

Person includes any individual, company, corporation, firm, partnership, joint-venture, association, organisation, trust, state or agency of a state (in each case whether or not having separate legal personality);

Security Interest means any mortgage, charge, pledge, lien or other form of encumbrance or security interest which would constitute a *sûreté réelle* or any other agreement or arrangement having substantially the same economic effect (including, but not limited to, any retention of title, lease or hire-purchase arrangement);

Revalued Assets Value means at any time (i) the block value (excluding transfer duties and latent taxes (*hors fiscalité latente et droits de mutation*)) provided by the Property Valuers of the total Real Estate Assets owned or held directly or indirectly by the Issuer (including through financial leases and including the Real Estate Assets used as operating properties) as shown in, or derived from, the latest audited annual or unaudited semi-annual consolidated financial statements of the Issuer and (ii) the value of the equity-accounted investments (including advances) held directly or indirectly by the Issuer in any Person as shown in such financial statements;

Unsecured Revalued Assets Value means at any time an amount equal to the Revalued Assets Value less the Secured Debt.

5. Interest

The Notes bear interest from, and including, 26 November 2014 to, but excluding, 26 November 2021, at the rate of 1.875 per cent., *per annum*, payable annually in arrear on 26 November in each year (each an **Interest Payment Date**). The first payment of interest will be made on 26 November 2015 for the period from, and including, 26 November 2014 to, but excluding, 26 November 2015. Each Note will cease to bear interest from the due date for redemption unless payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the rate of 1.875 per cent. *per annum* (both before and after judgment) until the day (included) on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder.

The amount of interest due in respect of each Note will be calculated by reference to the aggregate value of each Noteholder's holding, the amount of such payment being rounded to the nearest cent (half a cent being rounded upwards).

If interest is required to be calculated for a period of less than one year, it will be calculated on an actual/actual (ICMA) basis for each period, that is to say the actual number of days elapsed during the relevant period divided by 365 (or by 366 if a February 29 is included in such period), the result being rounded to the nearest cent (half a cent being rounded upwards).

6. Redemption and purchase

(a) Final redemption

Unless previously purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 26 November 2021 (the **Maturity Date**).

(b) Redemption for Taxation Reasons

The Notes may, and in certain circumstances shall, be redeemed before the date of their final redemption, in the event of any change occurring in taxation pursuant to the conditions provided in Condition 8.

(c) *Make Whole Redemption by the Issuer*

The Issuer will, subject to compliance by the Issuer with all relevant laws, regulations and directives and having given not less than thirty (30) nor more than forty-five (45) calendar days' notice in accordance with Condition 11 to the Noteholders and to the Fiscal Agent (which notice shall be irrevocable and shall specify the date fixed for redemption), have the option to redeem the Notes, in whole or in part, at any time prior to their Maturity Date (the **Optional Make Whole Redemption Date**) at their **Optional Redemption Amount** (as defined below) together with any accrued and unpaid interest up to, but excluding, the Optional Make Whole Redemption Date and any additional amounts as specified in Condition 8.

The Optional Redemption Amount will be calculated by the Calculation Agent and will be an amount in Euro rounded to the nearest cent (half a cent being rounded upwards) being the greater of (x) one hundred (100) per cent. of the Principal Amount (as defined below) of the Notes so redeemed and, (y) the sum of the then present values on the Optional Make Whole Redemption Date of (i) the Principal Amount (as defined below) of the Notes and (ii) of the remaining scheduled payments of interest of the Notes for the remaining term of the Notes (determined on the basis of the interest rate applicable to such Note from but excluding the Optional Make Whole Redemption Date), discounted to the Optional Make Whole Redemption Date on an annual basis (Actual / Actual ICMA) at the Early Redemption Rate plus an Early Redemption Margin.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties. The Calculation Agent shall act as an independent expert and not as agent for the Issuer or the Noteholders.

Early Redemption Margin means + 0.23 per cent. *per annum*.

Early Redemption Rate means the average of the four quotations given by the Reference Dealers of the mid-market annual yield to maturity of the Reference Benchmark Security on the fourth (4th) business day in Paris preceding the Optional Make Whole Redemption Date at 11.00 a.m. (Central European time (CET)).

If the Reference Benchmark Security is no longer outstanding, a Similar Security will be chosen by the Calculation Agent after prior consultation with the Issuer if practicable under the circumstances, at 11.00 a.m. (Central European time (CET)) on the fourth (4th) business day in Paris preceding the Optional Make Whole Redemption Date, quoted in writing by the Calculation Agent to the Issuer.

Principal Amount means €100,000.

Reference Benchmark Security means the German government bond (bearing interest at a rate of 2.25 per cent. *per annum* and maturing on 4 September 2021 with ISIN DE0001135457).

Reference Dealers means each of the four banks (that may include the Joint Lead Managers) selected by the Calculation Agent which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues.

Similar Security means a reference bond or reference bonds issued by the German Government having an actual or interpolated maturity comparable with the remaining term of the Notes that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

(d) *Residual Maturity Call Option by the Issuer*

The Issuer may, at its option, from and including 26 August 2021 to but excluding the Maturity Date, subject to having given not more than sixty (60) nor less than thirty (30) calendar days prior notice to the Noteholders and the Fiscal Agent in accordance with Condition 11 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the outstanding Notes, in whole or in part, at their Principal Amount plus accrued interest up to but excluding the date fixed for redemption.

(e) *Redemption at the option of the Noteholders*

If at any time while any of the Notes remains outstanding (A) a Restructuring Event occurs and (B) within the Restructuring Period (i) (if at the time of the Restructuring Event the Issuer and/or the Notes outstanding have a rating from a Rating Agency) a Rating Downgrade in respect of that Restructuring Event occurs and such Rating Downgrade has not been cured prior to the expiry of the Restructuring Period or (ii) (if at the time of the Restructuring Event the Issuer and/or the Notes outstanding do not have a rating from a Rating Agency) a Negative Rating Event in respect of

that Restructuring Event occurs (such Restructuring Event and Rating Downgrade or Negative Rating Event, as the case may be, occurring within the Restructuring Period and, in the case of a Rating Downgrade, not having been cured prior to the expiry of the Restructuring Period, together called a **Put Event**), each Noteholder will have the option (the **Put Option**) (unless, prior to the giving of the Put Event Notice referred to below, the Issuer has given notice under Condition 8(b) in respect of the Notes) to require the Issuer to redeem or, at the Issuer's option, procure the purchase of that Note on the Optional Redemption Date (as defined below). Each Note shall be redeemed or purchased at its principal amount (the **Optional Redemption Amount**) together with (or where purchased, together with an amount equal to) interest accrued to (but excluding) the Optional Redemption Date.

Promptly upon the Issuer becoming aware that a Restructuring Event has occurred, the Issuer shall give notice (x) in case of Notes held through an Account Holder to the relevant Account Holder (y) in the case of Notes held through Euroclear or Clearstream, Luxembourg to Euroclear or Clearstream, Luxembourg, as the case may be, and to the Fiscal Agent and, upon receipt of such notice the Fiscal Agent shall give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 11 specifying the nature of the Put Event and the procedure for exercising the Put Option described in this Condition.

To exercise the Put Option, a Noteholder must give notice to the relevant Account Holder, with a copy to the Fiscal Agent in or substantially in the form set out in the Agency Agreement, duly completed and signed on its behalf (the **Put Notice**), on any Business Day falling within the period of forty-five (45) days after a Put Event Notice is given (the **Put Period**). The Put Notice shall include instructions for the transfer of such Noteholders' Notes to the specified account of the Fiscal Agent for the redemption or purchase of such Notes.

The form of the Put Notice shall be available from the Fiscal Agent.

Payment in respect of such Notes will be made on the Optional Redemption Date by transfer to the bank account specified in the Put Notice. A Put Notice once given shall be irrevocable. The Issuer shall redeem or, at its option, procure the purchase of the relevant Notes on the Optional Redemption Date unless previously redeemed or purchased.

For the avoidance of doubt, the Issuer shall have no responsibility for any breakage costs which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any Put Option (whether as a result of any purchase or redemption arising there from or otherwise). The Issuer shall be responsible for any administrative costs e.g. notices etc. arising as a result of in connection with any Noteholder's exercise or purported exercise of, or otherwise in connection with, any Put Option.

For the purposes of this Condition:

A **Rating Downgrade** shall be deemed to have occurred in respect of a Restructuring Event if within the Restructuring Period, the rating previously assigned to the Notes or to the Issuer by any Rating Agency solicited by the Issuer is (x) withdrawn or (y) changed from an investment grade rating (BBB-/Baa3 or their respective equivalent for the time being, or better) to a non-investment grade rating (BB+/Ba1 or their respective equivalent for the time being, or worse) or (z) if the rating previously assigned to the Notes or to the Issuer by any Rating Agency solicited by the Issuer was below an investment grade rating (as described above), lowered by at least one full rating notch (for example, from BB+ to BB, or their respective equivalents), provided that the Rating Agency making the reduction in rating announces or publicly confirms or, having been so requested by the Issuer, informs the Issuer or the Fiscal Agent in writing that the lowering was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the applicable Restructuring Event shall have occurred at the time of the Rating Downgrade). If the Notes or the Issuer are rated by more than one Rating Agency, a Rating Downgrade shall be deemed not to have occurred in respect of a particular Restructuring Event if only one Rating Agency has withdrawn or lowered its rating.

Rating Agency means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors (**S&P**) or Moody's Investors Service, Inc. and its successors (**Moody's**) or Fitch Ratings Ltd. and its successors (**Fitch**) or any other rating agency of equivalent standing specified by the Issuer in writing to the Fiscal Agent.

A **Restructuring Event** shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Issuer) that any Person or Persons acting in concert (within the meaning of Article L.233-10 of the French *Code de commerce*) shall come to acquire, or come into possession, directly or indirectly, beneficially and/or of record, more than fifty (50) per cent. of the shares or voting rights of the Issuer.

Optional Redemption Date means the fifth (5th) Business Day after the expiry of the Restructuring Period.

A **Negative Rating Event** shall be deemed to have occurred if (i) the Issuer does not on or before the forty-fifth (45th) Business Day after the relevant Restructuring Event seek to obtain from a Rating Agency, a rating of the Notes, failing which, a corporate rating or (ii) if it does so seek, it has not at the expiry of the Restructuring Period and as a result of such Restructuring Event obtained such a rating of at least (a) the grade assigned to the Notes at the time of their issuance, failing which, (b) the grade of the corporate rating assigned to the Issuer at the time of the issuance of the Notes, failing which, (c) the grade of the most recent corporate rating assigned to the Issuer, provided that the Rating Agency (A) announces or publicly confirms or, (B) having been so requested by the Issuer, informs the Issuer or the Fiscal Agent in writing that its declining to assign a rating of at least (a) the grade assigned to the relevant Notes at the time of their issuance, (b) the grade of the corporate rating assigned to the Issuer at the time of the issuance of the Notes, or (c) the grade of the most recent corporate rating assigned to the Issuer, respectively, was the result, in whole or in part, of the applicable Restructuring Event (whether or not the Restructuring Event shall have occurred at the time such rating is declined).

Restructuring Period means the period beginning one hundred and twenty (120) calendar days prior to, and ending one hundred and twenty (120) calendar days after, the date of the public announcement of the result (*avis de résultat*) by the AMF of the relevant Restructuring Event.

The Fiscal Agent is under no obligation to ascertain whether a Restructuring Event, a Negative Rating Event, a Rating Downgrade or any event which could lead to the occurrence of or could constitute a Restructuring Event has occurred and until it shall have actual knowledge or express notice to the contrary, the Fiscal Agent may assume that no Restructuring Event, Negative Rating Event, Rating Downgrade or other such event has occurred.

(f) *Purchases*

The Issuer may at any time purchase Notes in the open market or otherwise at any price in accordance with applicable laws.

(g) *Cancellation*

All Notes which are redeemed or purchased by, or for the account of, the Issuer may, at its sole option, be held or cancelled in accordance with applicable laws and regulations.

7. **Payments**

(a) *Method of payment*

Payment of principal and interest in respect of the Notes will be made in Euro by credit or transfer to a Euro-denominated account, in accordance with tax provisions or with any other applicable laws or regulations, and subject to the provisions of Condition 8.

Such payments shall be made for the benefit of the Noteholders to the Account Holders (including Euroclear France, Euroclear and Clearstream, Luxembourg).

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(b) *Payments on Business Days*

If any due date for payment of principal or interest or any other amount in respect of any Note is not a Business Day (as defined below), then the holder thereof shall not be entitled to payment of the amount due until the next following day which is a Business Day and the holder shall not be entitled to any interest or other additional sums in respect of such postponed payment.

In this Condition **Business Day** means a day (except for Saturdays and Sundays) on which the Trans-European Automated Real Time Gross Settlement Express Transfer System (TARGET 2) is operating.

(c) *Fiscal Agent, Calculation Agent and Paying Agent*

The initial Fiscal Agent, Calculation Agent and Paying Agent and its specified office are as follows:

BNP Paribas Securities Services
(Euroclear France Affiliate number 29106)

Les Grands Moulins de Pantin
9, rue du Débarcadère
93500 Pantin
France

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, Calculation Agent or Paying Agents and/or appoint another Fiscal Agent, Calculation Agent and additional or other Paying Agents, subject to having given not more than forty-five (45) nor less than thirty (30) calendar days' prior notice to the Noteholders, in accordance with Condition 11, and as long as there will at all times be (i) a Fiscal Agent and a Calculation Agent having a specified office in a European city and (ii) so long as the Notes are admitted to trading on Euronext Paris, a Paying Agent having a specified office in a European city and ensuring financial services in France.

Any change of Fiscal Agent will be notified to the Noteholders in accordance with the provisions of Condition 11.

8. Taxation

- (a) All payments of principal, interest and other revenues by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes or duties of whatever nature imposed, levied or collected by or on behalf of France or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
- (b) If French law or regulation should require that payments of principal of, or interest on, any of the Notes be subject to deduction or withholding for or on account of any present or future taxes or duties of whatever nature, the Issuer shall, to the extent permitted by law, pay such additional amounts as will result in the receipt by the Noteholders of the amounts which would have been receivable by them in the absence of such requirement to deduct or withhold. However, if the Issuer would, as a result of any change in or in the application or interpretation of French laws or regulations, be required to pay any such additional amounts, and this obligation cannot be avoided by reasonable measures of the Issuer, then the Issuer may at any time, but at the earliest thirty (30) days prior to such change becoming effective, redeem all of the outstanding Notes at their principal amount together with interest accrued until the date fixed for redemption.

Provisions mentioned in the first paragraph of (b) above shall not apply:

- (i) to payment of interests and other revenues to a Noteholder in respect of such Notes which are subject to taxes by reason of his having some connection with France other than the mere holding of such Notes; or
- (ii) when such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments or any other European Union Directive implementing the conclusion of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive.
- (c) If the Issuer is obliged to make such additional payments as defined in sub-paragraph (b) here above and if such payments are or would become prohibited by French law and if the obligation to make such additional payments cannot be avoided by reasonable measures of the Issuer, the Issuer will then be obliged to redeem all outstanding Notes at par, together with accrued interest until the date fixed for redemption, at the earliest thirty (30) days prior to the change defined in sub-paragraph (b) here above becoming effective and at the latest on the date such additional payment would have been due.
- (d) In the event of repayment in accordance with sub-paragraph (b) here above, the Issuer will publish, or cause to be published, a redemption notice, as described under Condition 11, at the earliest sixty (60) days and at the latest thirty (30) days prior to the date fixed for repayment. In the event of repayment in accordance with sub-paragraph (c) here above, the Issuer will publish, or cause to be published, a redemption notice, in the same conditions at the earliest sixty (60) days and at the latest seven (7) days prior to the date fixed for such repayment.

9. Prescription

All claims against the Issuer for the payment of principal or interest in respect of the Notes shall lapse after ten (10) years (in the case of principal) and five (5) years (in the case of interest) from due date for payment thereof.

10. Events of default

Any Noteholder, may, upon written notice given by registered letter with acknowledgment of receipt to the Issuer (copy to the Fiscal Agent) before all defaults shall have been cured, cause all, but not some only, of the Notes held by such Noteholder to become immediately due and payable, at their principal amount together with any accrued interest thereon and any additional amounts as specified in Condition 8 until their actual redemption date:

- (a) if the Issuer defaults in any payment of principal or interest on any Note on the due date thereof and such default continues for a period of more than ten (10) calendar days from such due date;
- (b) if there is a default by the Issuer in the due performance of any other provision of the Conditions, and such default shall not have been cured within thirty (30) calendar days after receipt by the Issuer of written notice of such default from the Representative;
- (c) if the Issuer or any of its Material Subsidiaries (as defined in Condition 3) makes any proposal for a general moratorium in relation to its debts, enters into an amicable arrangement with its creditors or is subject to a safeguard proceeding (*procédure de sauvegarde*), an accelerated financial safeguard proceeding (*procédure de sauvegarde financière accélérée*), an accelerated safeguard proceeding (*procédure de sauvegarde accélérée*) or a judgment is rendered for the judicial reorganisation (*redressement judiciaire*), for the judicial liquidation (*liquidation judiciaire*) or for a judicial transfer of the whole of the business (*cession totale de l'entreprise*) of the Issuer or any of its Material Subsidiaries or, to the extent permitted by applicable law, if the Issuer or any of its Material Subsidiaries is subject to any other similar insolvency or bankruptcy proceedings, or grants any assignment for the benefit of its creditors;
- (d) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries, for borrowed money in excess of, whether individually or collectively, Euro 20,000,000 (or its equivalent in any other currency), whether individually or collectively, shall become due and payable prior to its stated maturity as a result of a default thereunder of the Issuer or any of its Material Subsidiaries, or any such indebtedness shall not be paid when due or, as the case may be, within any applicable grace period therefore, or any guarantee or indemnity given by the Issuer or any of its Material Subsidiaries for, or in respect of, any such indebtedness shall not be paid when due and called upon (subject to any originally applicable grace periods) unless the Issuer or such Material Subsidiary, as the case may be, has disputed in good faith that such borrowed money is due or such guarantee or indemnity is callable, and such dispute has been submitted to a competent court in which case such event shall not constitute, an event of default hereunder so long as the dispute has not been finally adjudicated;
- (e) if the Issuer ceases to carry on all or a material part of its business or other operations, except for the purposes of and followed by a merger or reorganisation (*cession, scission or apport partiel d'actifs*) or any procedure analogous thereto under the law applicable to the Issuer, provided that such merger, reorganisation or analogous procedure takes place on terms approved by the *Masse*.

11. Notices

Any notice to the Noteholders will be duly given if delivered to Euroclear France, Euroclear and Clearstream Luxembourg for so long as the Notes are cleared through such clearing systems and published on the website of the Issuer (www.fonciere-lyonnaise.com); or published, so long as the Notes are listed on Euronext Paris and the rules applicable to such stock exchange so require, in a leading daily newspaper having general circulation in France (which is expected to be *Les Echos* or such other newspaper as the Fiscal Agent shall deem necessary to give fair and reasonable notice to the Noteholders).

Any notice to the Noteholders shall be deemed to have been given on the date of such publication or if published on different dates, on the date of the first publication.

12. Representation of the Noteholders

The Noteholders will be grouped automatically for the defence of their common interests in a *masse* (hereinafter referred to as the *Masse*).

Pursuant to Article L.228-90 of the French *Code de commerce*, the *Masse* will be governed by the provisions of the French *Code de commerce* (with the exception of the provisions of Articles L.228-48, L.228-59, R.228-63, R.228-67 and R.228-69 thereof), subject to the following provisions:

- (a) *Legal personality*

The *Masse* will be a separate legal entity by virtue of Article L.228-46 of the French *Code de commerce*, acting in part through a representative (the **Representative**) and in part through a Noteholders' general meeting (the **General Meeting**).

The *Masse* alone, to the exclusion of all individual Noteholders, shall exercise the common rights, actions and benefits which now or in the future may accrue with respect to the Notes.

(b) *Representative*

The office of Representative may be conferred on a person of any nationality. However, the following persons may not be chosen as Representative:

- (i) the Issuer, the members of its board of directors, its statutory auditors, its managers, its employees and their ascendants, descendants and spouses;
- (ii) companies guaranteeing all or part of the obligations of the Issuer, the members of their board of directors, their statutory auditors, their managers, their employees and their ascendants;
- (iii) companies of which the Issuer possesses at least ten (10) per cent. of the share capital; and
- (iv) persons to whom the practice of banker is forbidden or who have been deprived of the right of directing, administering or managing a business in whatever capacity.

The initial Representative of the *Masse* shall be:

Mr Sylvain Thomazo
20, rue Victor Bart
78000 Versailles
France

The alternative representative of the *Masse* (the **Alternative Representative**) shall be:

Christian Hochstrasser
2, rue du Général de Gaulle
54870 Cons la Grandville
France

The Alternative Representative replaces the initial Representative when the initial Representative has resigned or is no longer able to fulfil his duties. In the event of death, retirement or revocation of the Alternative Representative, a replacement will be elected by a Noteholders' general meeting.

The Representative will receive a remuneration of Euro 600 per year for its services.

All interested Noteholders will at all times have the right to obtain the names and addresses of the initial Representative and the Alternative Representative at the registered office of the Issuer and the specified offices of any of the Paying Agents.

(c) *Powers of the Representative*

The Representative shall, in the absence of any decision to the contrary of the Noteholders' general meeting, have the power to take all acts of management necessary for the defence of the common interests of the Noteholders. All legal proceedings against the Noteholders or initiated by them, in order to be justifiable, must be brought against the Representative or by him.

The Representative may not interfere in the management of the affairs of the Issuer.

(d) *Noteholders' general meetings*

Noteholders' general meetings may be held at any time, on convocation either by the Issuer or by the Representative. One or more Noteholders, holding together at least one-thirtieth (1/30th) of outstanding Notes may address to the Issuer and the Representative a request for convocation of the general meeting; if such general meeting has not been convened within two (2) months from such demand, such Noteholders may commission one of themselves to petition the competent courts within the jurisdiction of the Court of Appeal of Paris to appoint an agent who will call the meeting.

Notice of the date, hour, place, agenda and quorum requirements of any general meeting will be published as provided under Condition 11 not less than fifteen (15) calendar days prior to the date of the general meeting.

Each Noteholder has the right to participate in meetings of the *Masse* in person or by proxy. Each Note carries the right to one (1) vote.

(e) *Powers of general meetings*

A general meeting is empowered to deliberate on the remuneration, dismissal and replacement of the Representative, and also may act with respect to any other matter relating to the common rights, actions and benefits which now or in the future may accrue with respect to the Notes, including authorising the Representative to act at law as plaintiff or defendant.

A general meeting may further deliberate on any proposal relating to the modification of the Conditions, including any proposal, whether for arbitration or settlement, relating to rights in controversy or which were the subject of judicial decisions.

It is specified, however, that a general meeting may not increase amounts payable by the Noteholders, nor establish any unequal treatment between the Noteholders, nor decide to convert the Notes into shares.

The general meeting may validly deliberate on first convocation only if Noteholders present or represented hold at least one fifth (1/5th) of the principal amount of the Notes then outstanding. On second convocation, no quorum shall be required. Decisions at meetings shall be taken by a majority of two thirds (2/3) of votes cast by the Noteholders attending such meeting or represented thereat.

(f) *Notice of decisions*

Decisions of the meetings must be published in accordance with the provisions set out in Condition 11 not more than ninety (90) calendar days from the date thereof.

(g) *Information to the Noteholders*

Each Noteholder or representative thereof will have the right, during the fifteen (15) calendar day period preceding the holding of each meeting of a general meeting, to consult or make a copy of the text of the resolutions which will be proposed and of the reports which will be presented at the meeting. Those documents will be available for inspection at the principal office of the Issuer, at the offices of the Paying Agents and at any other place specified in the notice of meeting.

(h) *Expenses*

The Issuer will pay all reasonable expenses incurred in the operation of the *Masse*, including expenses relating to convening and holding general meetings and, more generally, all administrative expenses resolved upon by a Noteholder's general meeting, it being expressly stipulated that no expenses may be imputed against interest payable on the Notes.

13. Further issues

The Issuer may from time to time without the consent of the Noteholders issue further notes to be assimilated with the Notes, provided that such further notes and the Notes shall carry identical rights in all respects (or in all respects except for the issue price and the first payment of interest thereon) and that the terms and conditions of such further notes shall provide for such assimilation.

In the case of such an assimilation, the holders of such further notes and the Noteholders will be grouped in a single *masse*. References in these Conditions to the Notes include any other notes issued pursuant to this Condition and assimilated with the Notes.

14. Governing law, jurisdiction and language

The Notes are governed by French law.

Any dispute arising out of or in connection with the Notes will be submitted to the competent courts within the jurisdiction of the Court of Appeal of Paris.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for refinancing existing debt and for general corporate purposes.

DESCRIPTION OF THE ISSUER

HISTORY AND DEVELOPMENT OF SOCIETE FONCIERE LYONNAISE

Corporate Name, Seat and Registered Office

The corporate name of the issuer is Société Foncière Lyonnaise.

Its registered office is located 42 rue Washington, 75008 Paris, France. Its telephone number is + 33 (0)1 42 97 27 00.

Legal form, Governing law and Registration

Société Foncière Lyonnaise is a French *Société anonyme à Conseil d'Administration*.

The Issuer is registered with the *Registre du Commerce et des Sociétés de Paris* (Paris Commercial and Corporate Registry) under the number 552 040 982.

Date of Incorporation and Duration of Société Foncière Lyonnaise

Société Foncière Lyonnaise was registered to do business in France on 9 October 1879. Its business registration expires on 8 October 2064, unless this term is extended or the company is dissolved beforehand.

Purpose of Société Foncière Lyonnaise

Pursuant to the provisions of Article 3 of its articles of incorporation, the Issuer has the main following purposes:

- acquire, by way of purchase, absorption, rental or *bail emphytéotique*, any and all real property located in France, the French overseas territories or abroad, and to construct buildings on any such properties; operate industrially, rent, manage and generally develop such properties;
- transfer such properties, by sale, exchange or contribution;
- manage properties for third party account;
- take participations by any means in any company or business created or to be created related to the corporate purpose, including the setting up of new companies, the contribution, membership of a general partnership, subscription or purchase of securities or other rights;
- and generally conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Financial Year

The Issuer's financial year starts on 1 January and ends on 31 December of each year.

Authorised and Issued Share Capital

On 30 June 2014, Société Foncière Lyonnaise's share capital was € 93,057,948, divided into 46,528,974 shares with a par value of 2 euros per share.

BUSINESS OVERVIEW AND MATERIAL CONTRACTS

Please refer to pages 5 to 6 and 214 of the 2013 Reference Document and pages 4 to 5 of the 2014 Semi-Annual Financial Report of Société Foncière Lyonnaise which are incorporated by reference in this Prospectus.

ORGANISATIONAL STRUCTURE

Please refer to pages 9 and 214 of the 2013 Reference Document of Société Foncière Lyonnaise which is incorporated by reference in this Prospectus.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

Please refer to pages 10 to 13, 100 to 112 and 114 of the 2013 Reference Document and page 3 of the 2014 Semi-Annual Financial Report of Société Foncière Lyonnaise which are incorporated by reference in this Prospectus.

MAJOR SHAREHOLDERS

Please refer to pages 26, 31 to 32 and 38 to 40 of the 2013 Reference Document of Société Foncière Lyonnaise which is incorporated by reference in this Prospectus.

LITIGATION

Please refer to Paragraph entitled "*Litiges*", page 30 of the 2013 Reference Document of Société Foncière Lyonnaise which is incorporated by reference in this Prospectus.

FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL POSITIONS AND FINANCE PERFORMANCE

Please refer to pages 144 to 146, 149 to 175 and 199 of the 2013 Reference Document of Société Foncière Lyonnaise which is incorporated by reference in this Prospectus.

Please refer to pages 140 to 142, 145 to 173 and 197 of the 2012 Reference Document of Société Foncière Lyonnaise which is incorporated by reference in this Prospectus.

Please refer to pages 10 to 11 and 14 to 44 of the 2014 Semi-Annual Financial Report of Société Foncière Lyonnaise which is incorporated by reference in this Prospectus.

RECENT DEVELOPMENTS

- The following press release has been published on 23 July 2014:

Appointment of Juan José Brugera as Chairman and Chief Executive Officer

At its meeting today, the Board of Directors of Société Foncière Lyonnaise (SFL) appointed Juan José Brugera Clavero as Chief Executive Officer of SFL on a provisional basis.

Mr. Brugera Clavero will therefore act as both Chairman and Chief Executive Officer until a new Chief Executive Officer is hired. Nicolas Reynaud was maintained in his position as Managing Director.

- The following press release has been published on 2 October 2014:

SFL to distribute €0.70 per share

At today's meeting chaired by Juan-José Brugera, SFL's Board of Directors decided to recommend making a distribution of €0.70 per share.

The distribution, which will be deducted from the share premium account, will be paid on 21 November 2014, subject to the approval of shareholders at the General Meeting to be held on 14 November 2014.

- The following press release has been published on 20 October 2014:

SFL – Third Quarter 2014

Rental income: €112.7 million (+3.4% on a comparable portfolio basis)

Consolidated revenue by business segment (€000's)

	30/09/14	30/09/13
Rental income	112,741	111,998
o/w Paris Central Business District	94,638	92,080
Western Crescent	3,553	4,064
Other	14,550	15,854
Other revenue	0	28
Total consolidated revenue	112,741	112,026

SFL's rental income increased slightly to €112.7 million on 30 September 2014, versus €112.0 million on 30 September 2013:

- On a comparable portfolio basis, rental incomes increased by €3.5 million (+3.4%) due, primarily, to new leases signed during 2013 and in 2014.
- Projects under development during the period in question showed an overall decline in income of €3.1 million.
- The sale of the Mandarin Oriental in February 2013 resulted in a €1.2 million decline in rental income in 2014. On the other hand, the collection of a penalty payment for the early termination of a lease at Washington Plaza generated a revenue of €1.5 million in 2014.

SFL successfully leased around 30,000 sq.m. of space during the first nine months of 2014, including 7,500 sq.m. of offices in the Louvre Saint-Honoré building that were leased to the Fast Retailing group during the third quarter (see the press release of 29 September 2014). The nominal rent for office leases in 2014 stands at €650/sq.m. and the real rate at €558/sq.m.

The occupancy rate for revenue-generating buildings improved to 86.1% on 30 September 2014, versus 82.0% on 31 December 2013. The In / Out building, for which the marketing process is still ongoing, accounts for 11.7% of

portfolio vacancy.

Progress on development projects has continued throughout the period, notably on the #cloud.paris building on the rue de Richelieu and on the building at 90 Champs-Élysées. It should be noted that the new 57-bed Hotel Indigo within the Carré Edouard VII complex has been delivered and has just been inaugurated (see the press release of 10 October 2014).

During the third quarter of 2014, SFL sold its 29.6% stake in the capital of SIIC de Paris at a price of €23.88 per share, which is a total of €304.9 million. This stake had been acquired in December 2010 at a price of €18.48 per share, which is a total of €236.0 million.

There were no acquisitions during the third quarter of 2014.

SFL's consolidated net debt fell as a result of the sale of its stake in the SIIC de Paris. On 30 September 2014, it stood at €1,253 million compared to €1,457 million on 31 December 2013 and was equivalent to 29.2% of the value of the portfolio. On 30 September 2014, SFL had €850 million in undrawn confirmed lines of credit.

- The following press release has been published on 17 November 2014:

SFL – Signature of an agreement to acquire the Parisian headquarters of GrDF

The Société Foncière Lyonnaise has signed an agreement with Blackstone Real Estate Partners Europe III to acquire an office building of approximately 25,000 sq.m. on a plot of one hectare, located on the rue Condorcet in the 9th arrondissement of Paris.

This asset is in the immediate vicinity of the Gare du Nord and benefits from excellent public transport links. It is fully leased by GrDF, the long-standing occupant of the building, for a fixed term expiring in 2024.

The final acquisition, which represents an investment of €230 million, is expected to take place during December 2014.

TAXATION

The following is a summary limited to certain tax considerations in France relating to the holding of the Notes. It specifically contains information on taxes on the income from the Notes withheld at source. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes.

This summary is based on the laws in force in France as of the date of this Prospectus, as applied and construed by the relevant tax authorities, all of which are subject to any changes in law or in interpretation.

This summary is included herein solely for information purposes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The rate of the applicable withholding tax is currently 35%. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

France

Implementation of the Savings Directive in France

The Savings Directive has been implemented into French law under Article 242 *ter* of the French *Code général des impôts* and Articles 49 I *ter* to 49 I *sexies* of Annex III to the French *Code général des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another Member State, including, *inter alia*, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

French withholding tax

The following may be relevant to holders of the Notes who do not concurrently hold shares of the Issuer and who are not otherwise affiliated with the Issuer within the meaning of Article 39,12 of the French Code général des impôts.

Following the introduction of the French "*loi de finances rectificative pour 2009 n° 3*" (no. 2009-1674 dated 30 December 2009) (the **Law**), payments of interest and other revenues made by the Issuer with respect to the Notes will not be subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory within the meaning of Article 238-0 A of the French *Code général des impôts* (a **Non-Cooperative State**). If such payments under the Notes are made in a Non-Cooperative State, a 75% withholding tax will be applicable (subject to certain exceptions and to the more favourable provisions of an applicable double tax treaty) by virtue of Article 125 A III of the French *Code général des impôts*.

Furthermore, in application of Article 238 A of the French *Code général des impôts*, interest and other revenues on such Notes are not deductible (where otherwise deductible) from the Issuer's taxable income, if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid in such a Non-Cooperative State (the **Deductibility Exclusion**). Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as constructive dividends pursuant to Article 109 of the French *Code général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 *bis* of the French *Code général des impôts*, at a rate of 30% or 75% (subject to the more favourable provisions of an applicable double tax treaty).

Notwithstanding the foregoing, the Law provides that neither the 75% withholding tax provided by Article 125 A III of the French *Code général des impôts* nor the Deductibility Exclusion will apply in respect of the issue of the Notes if the Issuer can prove that the principal purpose and effect of such issue of Notes was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the **Exception**). Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-INT-DG-20-50-20140211 (no. 550 and no. 990), BOI-RPPM-RCM-30-10-20-40-20140211 (no. 70 and no. 80), BOI-IR-DOMIC-10-20-20-60-20140211 (no.10) and BOI-ANNX-000364-20120912 (no. 20), the Notes will benefit from the Exception without the Issuer having to provide any proof of the purpose and effect of the issue of the Notes if such Notes are:

- (i) offered by means of a public offer within the meaning of Article L.411-1 of the French *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State (as defined above). For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- (iii) admitted, at the time of their issue, to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French *Code monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

The Notes being admitted to the clearing operations of a duly authorised central depository as from their Issue Date, payments of interest and other revenues made by, or for the account of, the Issuer under the Notes, are not subject to the withholding tax set out under Article 125 A III of the French *Code général des impôts* and the Deductibility Exclusion does not apply to such payments.

Pursuant to Article 125 A of the French *Code général des impôts*, subject to certain limited exceptions, interest received by individuals who are fiscally domiciled (*domiciliés fiscalement*) in France is subject to a 24% withholding tax, which is deductible from their personal income tax liability in respect of the year in which the payment has been made. Social contributions (CSG, CRDS and other related contributions) are also levied by way of withholding tax at a current aggregate rate of 15.5% on interest paid to individuals who are fiscally domiciled (*domiciliés fiscalement*) in France.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 24 November 2014, BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, Natixis and Société Générale (together, the **Joint Lead Managers**) have agreed with the Issuer, subject to the satisfaction of certain conditions, to procure the subscription and the payment for the Notes at an issue price equal to 99.877 per cent. of the aggregate principal amount of the Notes. The Subscription Agreement entitles, in certain circumstances, the Joint Lead Managers to terminate the Subscription Agreement.

General restrictions

Each Joint Lead Manager has agreed to observe all applicable laws and regulations in each jurisdiction in or from which it may acquire, offer, sell or deliver Notes or have in its possession or distribute this Prospectus or any other offering material relating to the Notes. No action has been, or will be, taken in any country or jurisdiction that would, to the best of each Joint Lead Manager's knowledge, permit a public offering of the Notes, or the possession or distribution of this Prospectus or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Notes may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each a **Relevant Member State**), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus to the public in that Relevant Member State except that it may with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Lead Managers; or
- c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EC.

France

Each Joint Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France the Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service de gestion de portefeuille pour compte de tiers*) and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 as amended (the **Securities Act**) or the securities law of any U.S. state. The Notes may not be offered, sold or delivered, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or such state securities laws. The Notes are being offered and sold only outside of the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (the **Regulation S**).

Terms used in this paragraph have the meanings given to them in Regulation S.

In addition, until forty (40) days after the commencement of the offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Clearstream, Luxembourg (42, avenue JF Kennedy, 1855 Luxembourg, Luxembourg), Euroclear (boulevard du Roi Albert II, 1210 Bruxelles, Belgium) and Euroclear France (66, rue de la Victoire, 75009 Paris, France) with the common code 114434671. The ISIN code number for the Notes is FR0012346856.
2. The issue of the Notes has been authorised pursuant to a resolution of the board of Directors of the Issuer dated 2 October 2014.
3. For the sole purposes of the admission to trading of the Notes on Euronext Paris, and pursuant to Articles L.412-1 and L.621-8 of the French *Code monétaire et financier*, this Prospectus has been submitted to the AMF and received visa no. 14-615 dated 24 November 2014.
4. PricewaterhouseCoopers Audit (63, rue de Villiers, 92200 Neuilly-sur-Seine) et Deloitte & Associés (185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine) have audited the consolidated and non-consolidated financial statements of the Issuer for the financial years ended 31 December 2012 and 31 December 2013. PricewaterhouseCoopers Audit et Deloitte & Associés are members of the *Compagnie Régionale des Commissaires aux Comptes* of Versailles.
5. The total expenses related to the admission to trading of the Notes are estimated at about EUR 11,500 (including the AMF fees).
6. The yield of the Notes is 1.894 per cent. *per annum*, as calculated at the Issue Date on the basis of the issue price of the Notes. It is not an indication of future yield.
7. Save for any fees payable to the Joint Lead Managers, as far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the issue.
8. Save as disclosed in page 24 (Paragraph 4-1) Operations) of the 2014 Semi-Annual Financial Report incorporated by reference in this Prospectus, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2014.
9. There has been no material adverse change in the prospects of the Issuer since the publication of the audited consolidated accounts of the Issuer on 31 December 2013.
10. During a period covering at least the previous twelve (12) months, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the Issuer's or the Group's financial position or profitability.
11. As of the date hereof, to the Issuer's knowledge, there are no potential conflicts of interest between the private interests and/or other duties of members of the board of directors of the Issuer and the duties they owe to the Issuer.
12. So long as any of the Notes remain outstanding, copies of this Prospectus, the documents incorporated by reference in this Prospectus, the Fiscal Agency Agreement and the *statuts* (by-laws) of the Issuer will be available for inspection and copies of the most recent annual financial statements and semi-annual financial report of the Issuer will be available, free of charge, at the specified offices for the time being of the Paying Agents during normal business hours. This Prospectus and all the documents incorporated by reference in this Prospectus are also available free of charge on the website of the Issuer (www.fonciere-lyonnaise.com). This Prospectus as well as the 2013 and 2012 Reference Documents of the Issuer are available on the website of the AMF (www.amf-france.org).

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