

Report of the chairman of the board of directors

Report of the Chairman of the Board of Directors on the composition of the Board of Directors, the terms and conditions for preparing and organising the undertakings of the Board of Directors and your Company's internal audit and risk management procedures

Ladies and Gentlemen,

In accordance with Article L 225-37 paragraph 6 of the Commercial Code, this report contains the following information:

- composition of the Board of Directors;
- the terms and conditions for preparing and organising the undertakings of the Board of Directors;
- your Company's internal audit and risk management procedures;
- possible limitations made by the Board of Directors to the Managing Director's powers.

Corporate Governance

On 11 December 2008 the company adopted the Afep / Medef Code of Corporate Governance for listed companies of December 2008, updated in April 2010 (available on the Site of the MEDEF www.medef.fr) and is gradually implementing its recommendations.

During the 2011 financial period, it continued to implement the recommendations of the aforementioned code:

- Proportion of independent directors: Following the changes in the Board of Directors during the 2011 financial period, the proportion of independent directors (in accordance with the qualification of independence imposed by the Afep / MEDEF code) increased and now stands at 4 out of 8 directors, the proportion required by the code for widely held company.

- Women / men parity on the Board of Directors: One of two directors appointed in 2011 is Mrs. Mercedes Erra. Notwithstanding the intrinsic interest of this nomination, it satisfies the statutory requirement concerning the balanced representation of men and women on Boards and the recommendations of the Afep / MEDEF code in its April 2010 version.
- Rules for granting bonus shares to the company executives of Société de la Tour Eiffel: the grants of bonus shares to company executives in 2011 are subject to performance. The same executives were already required to retain an interest in one third of their bonus shares or shares resulting from the exercising of stock subscription options until they relinquish their duties. Finally, most of the employees of Tour Eiffel Asset Management, a subsidiary which employs the teams in charge of the asset management of the real estate portfolio and the financial and administrative management of the company, received similar incentives.
- Self-evaluation of the Board of Directors: The first self-evaluation of the Board was carried out in December 2010 / January 2011.
- Prevention of Insider Trading: The Rules of Procedure were enhanced, in particular by the introduction of blackout periods before the publication of the annual accounts, halfyearly financial statements and quarterly information, during which members of the Board are forbidden from dealing in the shares of Société de la Tour Eiffel.

In 2012, the Board of Directors is scheduled to examine the definition of independent director and the situation of each director in this respect.

1 - COMPOSITION OF THE BOARD OF DIRECTORS

CONDITIONS FOR PREPARING AND ORGANISING THE BOARD OF DIRECTORS' WORK

Composition of the Board

Société de la Tour Eiffel's Board of Directors is composed of eight members. Three directors, Mr. Mark Inch, Mr. Jérôme Descamps and Mr. Robert Waterland, are also executives of the Company: Mr. Mark Inch is Chairman and Managing Director, Mr. Jérôme Descamps and Mr. Robert Waterland are deputy managing directors. Mr. Renaud Haberkorn, a director, has been appointed Managing Director effective from 1 September 2012.

The other four directors, Mrs. Mercedes Erra, Mr. Philippe Prouillac, Mr. Aimery Langlois-Meurinne and Mr. Richard Nottage, have no connection with the Company.

Out of a total of eight members, the Board has four independent Directors.

The directors receive attendance fees. In 2011, the allocation of these fees took into account, in addition to assiduity, the directors' attendance at Committee meetings, or the chairing of Committees.

The Board of Directors has appointed an Audit Committee and an Appointment and Remunerations Committee to act in an advisory role. No company executive is a member of either of these Committees.

Board meetings

Article 14 of the articles of association and memorandum stipulates that the Board shall meet as often as the Company's interest requires. Thus, over the past financial year, your Board of Directors met six times, with an average attendance rate of 98%:

- 2 March 2011:
 - Closed the individual and consolidated financial statements at 31 December 2010, dealt with appropriation of earnings, prepared and called the annual shareholder's meeting,
 - Authorised sureties, cautions and guarantees,
 - Extension of the credit line taken out on 31 March 2010 with Natixis,
 - Self-evaluation questionnaire of the Board of Directors: summary of replies,
 - Rotation of a statutory auditor.
- 18 May 2011:
 - Calculation of the issue price of new shares in the event of scrip issue dividend,
 - Update of article 6 - Capital in the articles of association,
 - Answers to be given to the possible written shareholders questions (no questions asked).
- 16 June 2011:
 - Composition of committees, appointment of chairpersons, renewal of mandates
 - Implementation of the new share buy-back programme
- 27 July 2011:
 - Review and closure of the consolidated and corporate financial statements at 30 June 2011, half-yearly activity report,
 - Decision to distribute an interim dividend, payment in cash or scrip, determining the issue price of new shares resulting from the scrip option,
 - Executive succession plan: appointment of Mr. Renaud Haberkorn as the new Managing Director effective as from 1 September 2012.
- 23 September 2011:
 - Conditions for allocating the compensation for revocation of Mr. Renaud Haberkorn.

- 8 December 2011:
 - Proposed bond issue
 - Amendment no. 5 to the adhesion contract dated 30 November 2006,
 - Allocation of bonus shares ,
 - Distribution of attendance fees,
 - Update of the rules of procedure (introduction of blackout periods),
 - Appointment of Frédéric Maman as Deputy Managing Director effective as from 1 September 2012.

In addition, at each meeting, the Board receives a report from senior management on business, the property portfolio, and the Group's cash position, following which the company's policy in respect of investing, financing and disposals of assets is discussed.

Convocations of Directors and statutory Auditors

The directors were called to meet several days in advance by regular post and/or electronic message.

In accordance with Article L 225-238 of the Commercial Code, the Statutory Auditors were summoned to Board meetings, which reviewed and closed the interim (half-yearly) and final financial statements. They also were invited to attend each Board meeting.

Reporting to the directors

Prior to Board meetings, each director receives appropriate documents and information, notably the detailed meeting agenda, the minutes of the previous meeting for approval, a file containing the points which/require a special report (particularly on property investment transactions) and a table showing the progress of the property transactions underway.

The directors also receive the quarterly operating reports, six-monthly corporate reports, the updated business plan together with the changes in the Group's cash position and the short and medium term financing status.

Board meetings schedule

The Board meetings are usually held at the head office. Directors are entitled to attend board meetings by teleconference. In general, the year-end Board of Directors meeting sets a schedule for the following year. Each Board meeting date is confirmed at the close of the previous meeting.

Board of Directors remit

According to the articles of association, the Board of Directors sets the course for the Company's business and monitors its execution. It deliberates on any issue affecting the Company's progress and governs its affairs through its deliberations.

It also reviews and decides the strategy for property investments and financing, reviews the financial statements, budgetary procedures and organisational orientations as well as audit and internal control.

Committees

Two specialised committees, the Audit Committee and the Appointments and Remunerations Committee, assist the Board

Audit Committee

This committee was formed by the Board on 29 July 2008.

It currently consists of two members: Mr. Philippe Prouillac (Chairman) and Mr. Richard Nottage. They were chosen by the Board for their competence and qualifications in finance and accounting.

The audit committee regularly audits the individual and consolidated financial statements and ensures the accounting methods used are permanent and appropriate. It also verifies that the internal procedures for collecting and checking information are in keeping with these objectives. It advises the Board of Directors on any accounting, financial or fiscal matters brought before it or which merit attention. It regularly informs the Board of its diligence and observations.

Its remit includes the following:

- to track the financial reporting process,
- to monitor how effective the internal control and risk management systems are, particularly to review any transaction or fact or event which could have a material impact on the company's position in terms of commitments and/or risks,
- to monitor the legal audit of the financial statements and the aspects relating to the statutory auditors' independence,
- to issue recommendations for appointing statutory auditors,
- to verify that the company has suitable means (audit, accounting and legal) to prevent risks and anomalies in managing the company's affairs.

It reports to the Board of directors.

During 2011, the Audit Committee met five times to discuss the following:

- 7 February: meeting with the independent valuers of the property portfolio at 31 December 2010,
- 28 February: meeting with the auditors on the 2010 accounts,
- 7 July: meeting with the independent valuers of the property portfolio,
- 27 July: meeting with the auditors on the halfyearly financial statements,
- 8 December: meeting on the internal control, the reappointment of the auditors, the recommendations of EPRA on key performance indicators, as well as the portfolio performance.

The attendance rate of the members was 95%.

Appointments and Remunerations Committee:

This committee was formed by the Board on 29 July 2008. It currently consists of two members: Mr. Aimery Langlois-Meurinne, Chairman, and Mrs. Mercedes Erra. They were chosen by the Board in particular because of their experience in management and human resources.

The Appointment and Remunerations Committee makes sure that the remuneration of the company senior executives, and any changes made thereto, is in keeping with the shareholders' interests and the company's performance, in particular in relation to the competition. The committee also ensures that all remunerations enable the company to recruit, motivate and retain the best executives.

It makes proposals or recommendations to the Board of Directors in the following areas:

- implementing a comprehensive remuneration policy for company officers and top executives consisting of a base salary, variable portion, share subscription or purchase options, granting free shares, miscellaneous benefits and pension plan,
- developments occurring in all of the components making up executive remuneration, exceptional remunerations and other benefits,
- the total equity remuneration package consisting of share options and bonus shares, the beneficiary parameters and a breakdown by category,
- fixing the amount of the attendance fees and their allocation,
- supervising agreements entered into with top executives,
- evaluating the financial consequences of these various items on the company's financial statements,
- establishing rules for reimbursing expenses and miscellaneous benefits,
- the performance conditions applicable for top executives receiving severance payment.

- with regard to the selection of new directors: the required balance of the composition of the Board given the structure of, and developments in the company's share ownership, search for and evaluation of potential candidates, opportunities for reappointments. In particular, the organisation of a procedure for selecting future independent directors and vetting of potential candidates.
- regarding senior management continuity: establishing an executive succession plan in order to submit to the Board solutions in the event of an unforeseen vacancy. This is one of the main responsibilities of the standing committee, but it may be entrusted by the Board to an ad hoc committee if necessary.

It reports to the Board of directors.

During 2011, the Appointments and Remunerations Committee met three times to discuss the following:

- 7 and 28 February: the performance criteria to be applied to the grant of stock options and bonus shares, the notion of including Mr. Frédéric Maman remuneration in the company director schedule, and the executive succession plan,
- 7 December, on a proposed bonus share issue.

The attendance rate of the members was 83%.

Rules of procedure

The rules of procedure are available on the company website: www.societetoureiffel.com.

Principles and rules drawn up by the Board of Directors to determine the range of remuneration and benefits granted to the company officers and directors

The remuneration paid to the top executives, Mr. Mark Inch, Chairman and Managing Director and Mr. Robert Waterland, Deputy Managing Director, are fixed and have not been reviewed since 1 January 2007.

It should be noted that Mr. Robert Waterland is remunerated under his employment contract as property manager. As Deputy Managing Director, Mr. Jérôme Descamps is remunerated exclusively under his employment contract with Tour Eiffel Asset Management.

The Directors (excluding Mark Inch and Robert Waterland) receive attendance fees, the distribution of which by the Board in 2011 took into account the following:

- part of the attendance fees was allocated to each Committee in proportion to the number of meetings and the presence of its members;
- the Chairperson of each committee received twice the amount allocated to a member;
- after deducting the amount allocated to the members of each committee, 60% of the remaining attendance fees were shared equally between the directors (except for Mark Inch and Robert Waterland);
- the remaining 40% were allocated to directors (except for Mark Inch and Robert Waterland) according to their rate of attendance at meetings of the Board of Directors.

The Board considers that the allocation of free shares encourages motivation and loyalty of executives and staff, provides an additional means of compensation that reflects the performance and development of the Company. On 8 December 2011, the Board of Directors decided to allocate bonus shares, the final allocation of which are subject to certain performance criteria for corporate officers and directors.

In respect of its executive remuneration policy, the company follows the AFEP-MEDEF corporate governance code for listed companies, the recommendations of which it is gradually implementing.

Self-evaluation of the Board of Directors

The first self-evaluation of the Board was carried out in December 2010 / January 2011. The results were included in the report of the Chairman of the Board for the 2010 financial period.

2 – INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

Concerning the internal audit and risk management procedures, the company follows the “French Financial Markets Authority (AMF) Internal control reference framework – Implementation guide for small and midcaps”, released by the AMF on 25 February 2008.

The internal control procedures cover Société de la Tour Eiffel and its subsidiaries which are included within the scope of consolidation.

These actions were carried out across the 3 key processes identified as having priority by the company: real estate investment (acquisitions, disposals, valuation, market risk), lease management (relationship with tenants and managers, checking rent receipts, etc.) and cashflow and financing (financing and rate hedging policy, monitoring of cash, receipts, etc.).

Development of the internal control system will continue in 2012 with the implementation of the recommendations but also by carrying out new planned initiatives as scheduled and improving existing controls.

2.1 – Internal control and risk management objectives

The Company and its subsidiaries are internally managed; the control procedures set up for the Group are meant to:

- ensure that the managerial actions fall within the scope of the Company’s corporate purpose, the strategic orientations as defined by the Board of Directors based on proposals of the top management, in accordance with current laws and regulations, the company’s corporate interest and that of each of its subsidiaries;
- improve the efficiency of the Company’s operations and enable the efficient use of its resources;

- coordinate the proper dissemination of accounting, financial and management reports among outside parties and the Group’s top executives, verify that these reports are regularly sent to the legal representative of the Company and its subsidiaries, on the basis that they fairly reflect the Group’s activity and financial position,
- and lastly, foresee and control the risks relating to the Group’s activity and the risks of errors or fraud, particularly in the accounting and financial areas.

Internal control cannot provide absolute certainty that the Company’s objectives will be achieved.

2.2 – Drawing up and auditing accounting and financial reports

2.2.1 – Roles of the various parties involved

General Secretariat

Tour Eiffel Asset Management carries out the duties of the General Secretariat in addition to its asset management mission (as an Asset Manager).

The General Secretariat disseminates and coordinates financial reporting among the various service providers and other parties while taking into account strategic imperatives as defined by the owning entity (Owner).

Owing to the General Secretariat’s role as a go-between among the Owner, the Asset Manager and the Building Managers, the General Secretariat has an overall view of the Owner and of the Companies. It makes sure that legal and contractual commitments are honoured, and that financial, tax and administrative obligations are met so as to provide the Owner and the Companies with an efficient and optimal management.

To carry out its mission, the General Secretariat makes sure that it is kept informed of anything involving the Owner and the Companies. It makes sure that it takes the measures necessary to gather whatever information it needs, to validate the decisions taken and to alert the competent bodies and the Owner of any unfavourable consequences of pending decisions.

As part of the administrative follow-up of the Companies, the General Secretariat supervises the Companies' accounting which is sub-contracted out to two accounting firms, as well as the tasks involved in cash management, in operational, administrative and financial management control, and tax returns.

In its supervisory role, the General Secretariat keeps the Owner and the Asset Manager informed, forewarned and alerted of any and all legislative and case law developments which have consequences on the administration and management of the Owner or the Companies. It makes recommendations to them on their strategy and follow-up regarding the companies and buildings which could affect by these developments.

Lastly, the General Secretariat keeps the Owner aware, counselled, and informed of any major event concerning its strategy. It coordinates with the Asset Manager the preparation and presentation of the overall budget and the medium-term business plan. The General Secretariat presents the Owner's short and medium-term objectives and strategy.

Property Managers

The Property Managers maintain the bookkeeping for income and expenses relating to the properties in accordance with current French accounting regulations.

They monitor and compute all payments, follow-up actions, arrangements or legal disputes and their results so that the Owner can have clear and updated information.

At any time and whenever necessary, the Property Managers provide the Owner, the Asset Manager, or any other person designated by the General Secretariat, with the data needed to complete the tax returns.

Once a month, and within 10 days at the most after each month end, the Property Managers supply the data needed to draw up the Owner's accounts to the General Secretariat or to any persons it designates.

Every year within nine months of year end, the Property Managers submit the annual closed accounts to the Asset Managers for checking and approval on behalf of the General Secretariat.

The Asset Manager and the Property Managers meet once a quarter to report on the past and future management of the properties. The Property Managers submit to the Asset Manager a report on the activity, the important events that occurred over the past quarter and the proposed responses for the following quarter.

The Asset Manager

The Owner, the Building Managers and the Asset Manager (the "Asset Manager's" job being performed by the same company which runs the General Secretariat) and/or their respective representatives meet at least once a year and more often if need be in accordance with the timetable established jointly at the beginning of the year in order to:

- report on the current state and forecasted trend of the markets where the properties are located,
- update the management objectives and commercial strategy and approve the rolling maintenance programme for the coming year,
- examine issues of safety and regulatory compliance,
- assess the database system and its performance,
- review the bookkeeping and management analyses.

The Asset Manager will promptly notify the Owner of any event or circumstance that has a substantial negative or positive effect on the property value.

Regular team meetings monitor and report on operational progress and the Owner's strategy.

2.2.2 – Drawing up and controlling the accounting and financial information provided to the shareholders

The individual and consolidated financial statements are drawn up by certified accountants working closely with the General Secretariat. The certified accountants, statutory auditors and top executives, and, where applicable, the Board of Directors discuss the main options as to the choice of accounting methods beforehand.

The senior executives, General Secretariat, and third parties (certified accountants and Statutory Auditors), and where applicable, the Board of Directors and in particular the Audit Committee, draw up the accounting and financial reports to be circulated to the shareholders.

The Chairman and Managing Director and the Deputy Managing Directors are responsible for drawing up and controlling the accounting and financial information submitted to the shareholders working closely with the certified accountants and under the supervision of the statutory auditors.

In terms of the monitoring procedure for contingent liabilities, any financial commitment is inherently known to the legal department because of its close collaboration with the financial management of the Company. With regard to off-balance sheet commitments related to the operating activities of the Group, the operational departments automatically communicate to the legal department any proposed act, contract, warranty, guarantee, letter of intent, etc., for analysis and identification of the off-balance sheet consequences involved and to assess the sums involved. These off-balance sheet commitments, after being identified, are monitored over time in terms of their duration and amount.

2.3 – Improving control

During fiscal 2012, the company has undertaken to continue to improve its internal control and risk management through the development of new procedures and the implementation of specific controls, especially for processes related to rental management, the Group's cash position, and evaluation of its property portfolio, in accordance with the "Internal Control Reference Framework" enacted by the AMF.

3 – MANAGING DIRECTOR'S POWERS

Société de la Tour Eiffel's top management position can be held either by the Chairman of the Board of Directors or by another individual appointed by the Board with the Managing Director's status.

On 22 July 2003 the Board of Directors appointed the Chairman of the Board, Mr. Mark Inch, as Managing Director. This structure of having the Chairman of the Board of Directors act as Managing Director has been retained by the Board of Directors at each reappointment. At its meeting on 20 May 2010, the Board of Directors moved that the combination of the two functions had proven satisfactory both operationally and in management terms relative to the Company's corporate governance.

No limitations were placed on the powers of Mr. Mark Inch as Managing Director.

The Board of Directors appointed Mr. Robert Waterland and Mr. Jérôme Descamps as Deputy Managing Directors on 30 September 2003 and 14 March 2005 respectively, conferring on them the same powers as the Managing Director. Their mandates were renewed on 29 March 2007 and then on 20 May 2010, for a three-year term.

However, as part of the succession plan for the current executives, Messrs. Mark Inch (Chairman and Managing Director) and Robert Waterland (Deputy Managing Director), the Board of Directors decided on 27 July 2011 to separate the roles of Chairman and Managing Director as of 1 September 2012, and to appoint with effect from the same date Mr. Renaud Haberkorn as Managing Director, for an unlimited period.

On that date, Mr. Mark Inch will resign as Managing Director, retaining only his position as Chairman of the Board. Mr. Robert Waterland will resign his position as Deputy Managing Director, his employment contract being amended to reflect his new role as Group Real Estate Consultant.

Furthermore, Mr. Frédéric Maman was appointed Deputy Managing Director with effect from 1 September 2012; his appointment as a member of the Board will be proposed at the next General Meeting. Mr. Jérôme Descamps, Deputy Managing Director and Board member, will continue to act as Chief Financial Officer for the Group.

4 – PARTICIPATION IN THE SHAREHOLDERS' MEETINGS

Participation in the shareholders' meetings is governed by articles 22 to 31 of the Company's articles of association, available at the Company's website, www.societetoureiffel.com. The procedures for the participation of shareholders are specified in each shareholders' meeting file on the website of the Company, www.societetoureiffel.com.

5 – FACTORS THAT COULD HAVE AN EFFECT DURING A PUBLIC OFFERING

Information regarding the capital structure of the Company is contained in paragraph 5.1 of the management report on fiscal 2011.

The factors that could have an effect in the event of a public offering are contained in paragraph 5.5, "Factors that could have an effect during a public offering" of the management report on fiscal 2011.

The Chairman of the Board of Directors

6 – STATUTORY AUDITORS' REPORT

Drawn up pursuant to Article L. 225235 of the French Commercial Code based on the report submitted by the Chairman of the Board of Directors of Société de la Tour Eiffel (Financial year ending 31 December 2011)

To the shareholders of:

SOCIÉTÉ DE LA TOUR EIFFEL
A French joint stock company with capital of €28 681 360

20-22 rue de la Ville l'Evêque
75008 PARIS

In our capacity as Statutory Auditors to Société de la Tour Eiffel and pursuant to Articles L. 225-235 of the French Commercial Code, we hereby provide our opinion on the report submitted by the Chairman of the Board of Directors pursuant to Article L. 225-37 of the French Commercial Code for the year ended 31 December 2011.

It is the Chairman's duty to draw up a report on the internal control and risk management procedures in place at the company and to submit it for approval by the Board of Directors. The report also discloses the other information required under article L. 225-37 of the French Commercial Code relating notably to the corporate governance policy.

It is our responsibility to:

- make our observations on the information contained in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- certify that the report contains the information required by article L. 225-37 of the French Commercial Code, with the understanding that we are not responsible for verifying the fairness of this other information.

We carried out our work in accordance with the code of professional conduct applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The standards of professional conduct require that we practice due diligence to assess the fairness of the accounting and financial information concerning the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the Chairman's report. This due diligence entailed the following in particular:

- familiarising ourselves with the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information underlying the information presented in the Chairman's report plus any existing documentation;
- familiarising ourselves with the work performed to compile this information and existing documentation;
- determining whether the Chairman's report mentions any material deficiencies in the internal control relating to the preparation and processing of the accounting and financial information we might have uncovered while performing our audit.

On the basis of our work, we have no comment regarding the information provided on the company's internal control and risk management procedures for the preparation and processing of accounting and financial information contained in the report of the Chairman of the Board of Directors, prepared in application of article L. 225-37 of the French Commercial Code.

Other information

We attest that the Chairman of the Board's report comprises the other information required in article L. 225-37 of the French Commercial Code.

Paris and Neuilly-sur-Seine, 27 March 2012

The Statutory Auditors

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