



STOP AND GO

The more things change, the more they remain the same - and unfortunately so, one is tempted to say. Like 2010, this year has played out in two radically different halves. Hopes were up until the summer. The rental market was improving and investment had slightly recovered. Just when it looked like the end of market jitters for the industry, the financial crisis rained on the parade sweeping away the first half's meagre recovery.

That said, to add yet another paradox to the market, the real economy has appeared relatively unaffected by the financial crisis. While it is true that investment remains subdued due to the lack of financing, the leasing take-up, at almost 2.5 million sq. m., is on a par with best years for the Paris region, albeit due to a number of mega transactions in outer suburbs which trend endorses the strategy of Société de la Tour Eiffel. Ile-de-France remains Europe's healthiest office market as demonstrated by a vacancy rate of 7%, compared to other major European capitals at over 10%.

Movement in the leasing market was not without benefit to Société de la Tour Eiffel. By the end of the year we expect to have entirely rented out Topaz, the new 14,000 sq. m. building in Vélizy, whereas the Parcs Eiffel continue to perform satisfactorily in the regions. These developments offer an attractive mix of moderate-rent, quality buildings (61% of our portfolio is new or recent) built to international standards and well-situated near established business centres - a mix particularly appreciated at a time of financial crisis and widespread cost-saving.

However, the financial crisis is definitely making its effects felt. The chaos it sparked snuffed out market recovery and with it, dragged down Société de la Tour Eiffel stock, which had substantially recovered since 2010. Consequently, the capital increase approved at last May's AGM has been postponed. The structural aspects of the real estate market (e.g. lack of new builds, user needs, sustainable development) still inspire confidence in the prospect of a future growth cycle around the corner. A new era beckons for the company not least because of a rejuvenated management team. The cofounders and directors Mark Inch and Robert Waterland will be winding down their management roles in the company as of September 2012. They will be handing over the reins to the established team under the leadership of Renaud Haberkorn, the new CEO, but a familiar face with long-time shareholders since he contributed to the company's renaissance in 2004.

The adventure continues!



Mark Inch, CEO
Robert Waterland, Managing Director



GENNEVILLIERS

REFINANCING

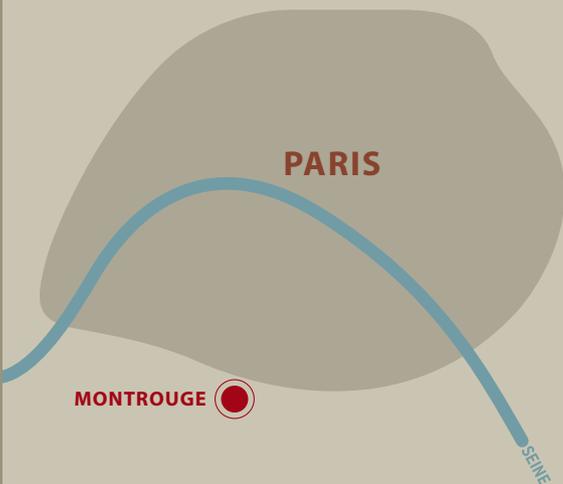
Timely refinancing of La Poste portfolio

As part of its policy to extend and stagger credit lines, **the company finalised in the spring the refinancing of its La Poste leaseback portfolio** (acquired in 2004), prior to completion the various leases had been renegotiated to adjust market rentals in return for extended terms (six years, on average).

The portfolio, valued at €85 million, is made up of a dozen buildings, mainly sorting centres. The refinancing scheme comprises a new €45 million loan repayable over a period of seven years, set up equally by Société Générale (CIG) and BECM (Crédit Mutuel).



GENNEVILLIERS



ACQUISITION

Montrouge, confirmed interest in the inner Paris suburbs

Following a contact initiated at the SIMI 2010, **Société de la Tour Eiffel acquired a 5,000 sq. m. office development** (with underground car parking) in Montrouge. The company's first acquisition since the Lehman Brothers' collapse is a perfect fit for its investment strategy: a new, LEB-certified building in the inner Parisian suburbs, with reasonable projected rents. It is located on rue Maurice Arnoux, just a few steps from the vast new Crédit Agricole, Evergreen campus. Delivery is scheduled for the first quarter of 2013. This transaction represents an investment of around €25 million for the company giving a forecast 7.5% return on investment.



ENERGY 2 - Vélizy

MARKETING

Velizy and Chartres on their way

Despite market sluggishness, leasing continues on the portfolio notably **Topaz, our latest 14,000 sq. m. HQE-certified building located in Vélizy**, just opposite the «Europe» stop of the future Châtillon-Viroflay tramway. **The property attracted firstly GENERAL MILLS**, the world's sixth-largest food group, **who committed to 2,500 sq. m. of offices representing 20% of the building**, at the asking rent. At end November 2011, exclusive negotiations with a leading listed French group were about to successfully conclude for the take-up of the remaining space. Elsewhere, 900 sq. m. of NRJ 2, a small office building adjoining Topaz, have been leased to the Arqiva telecom group.

In Chartres, Emerson, a leading American gas equipment company, committed to 1,320 sq. m. of mixed space (industrial/offices/storage) on the recently completed Parc Eiffel.



BUSINESS PARK - Chartres

DISPOSAL

Viseo: the right price at the right time

Investor quest for quality office buildings was confirmed by the sale of Viseo, an 11,500 sq. m. building in Montbonnot (Grenoble), to the Caisse d'Epargne Midi Pyrénées group. The disposal achieved €19.5 million, exceeding its NAV. Designed and developed in conjunction with real estate developer Cibex, and delivered at the end of 2007, Viseo boasts high quality architecture (largely responsible for its successful marketing) in a high profile location for the electronics industry. At the time of sale, the building was 92% leased, mainly to leading technical companies such as Cegelec, Eaton Power, Thales and Mentor Graphics. This sale illustrates a current disposal strategy focused on selling isolated lots outside the greater Paris region in order to concentrate on the latter and the Parcs Eiffel.

GOVERNANCE

Giving over to youth

Modification in the company's governance has been carried out during the year in preparation of the future providing the capacity to seize new growth opportunities offered by the market. The AGM held in May approved the appointment of two new prestigious independent directors, Mercedes Erra (Euro RSCG) and Richard Nottage. They replace outgoing directors who had reached the maximum age limit, namely Claude Marin, Michel Gauthier and Marc Allez, who actively contributed to the company's growth in recent years.

The Board also voted to implement a succession plan for its founders in order to facilitate a gradual coordinated management handover. As from September 2012, Mark Inch (CEO and Managing Director) will become the non-executive Chairman of the Board of Directors, while Robert Waterland (Managing Director) will become the group's Real Estate Advisor. These appointments will last at least two years. General management of the group will be assumed by Renaud Haberkorn (age 40), who is currently an independent administrator of Société de la Tour Eiffel and a Managing Partner with Grove International Partners.



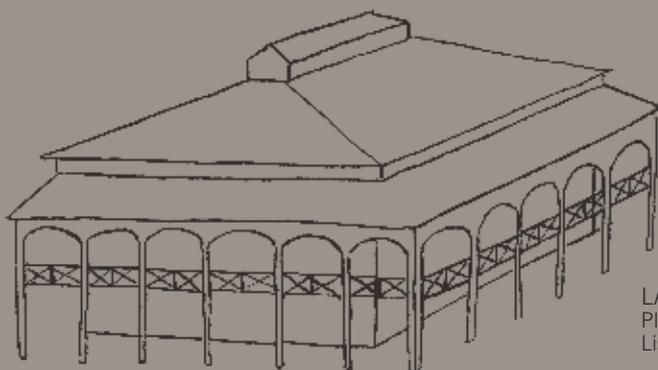
Renaud Haberkorn

SOCIÉTÉ DE LA TOUR EIFFEL FOUNDATION

Heading for South America

For its 2011 initiative, the Société de la Tour Eiffel Foundation looked to lesser-known - even forgotten - works of Gustave Eiffel in distant lands. The French engineer left behind a far-reaching legacy spanning Belgium, Bolivia, Spain, Egypt, the United States, Hungary, Mexico, Monaco, Panama, Peru, Portugal and Vietnam. In this year's challenge, the members of the nine winning teams of the 2008 and 2010 architectural contests were invited to submit original projects on the theme of these far-flung structures, researching the original edifices, the conditions in which they were constructed and any modifications they may have undergone, as well as the imprint Eiffel may have left in the area and the structures he may have inspired.

Caroline Chauvel and Elsa Durand, students from Bordeaux respectively based this year in Montreal and Santiago de Chile, were chosen by the jury for their proposed study on Gustave Eiffel's imprint on South America, particularly in Chile, a country where the French engineer worked on several projects. This research was carried out in the field with several specialists, and held many surprises. A documentary video was presented during the 2011 SIMI real estate exhibition.



LA CASA DE FIERRO - 1890
Plaza de Armas - Peru
Listed and mistakenly attributed to Gustave Eiffel



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Portfolio management

