SOCIETE FONCIERE LYONNAISE

INTERIM FINANCIAL REPORT

Six months ended 30 June 2018

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1. INTERIM MANAGEMENT REPORT

At 30 June 2018, the composition of the Board of Directors of SFL was as follows:

Chairman of the Board:

- Juan José Brugera Clavero

Directors:

- Pere Viñolas Serra (Vice-Chairman)
- Ali Bin Jassim Al Thani
- Angels Arderiu Ibars
- *Anne-Marie de Chalambert**
- Sylvia Desazars de Montgailhard
- Jean-Jacques Duchamp
- Chantal du Rivau
- Carlos Fernandez-Lerga Garralda
- Carmina Ganyet I Cirera
- Carlos Krohmer
- Luis Maluquer Trepat
- Adnane Mousannif
- Nuria Oferil Coll
- Anthony Wyand

** At its meeting held on 26 July 2018, the Board of Directors noted Anne-Marie de Chalambert's decision to resign from her position as a director and extended its warmest thanks to her for her valuable contribution to the Board's work since she was first elected in 2010.*
During the same meeting, the Board appointed Arielle Malard de Rothschild as an independent director, subject to ratification at the Company's next General Meeting.

The interim consolidated financial statements for the six months ended 30 June 2018 were approved by the Board of Directors of Société Foncière Lyonnaise on 26 July 2018, at its meeting chaired by Juan José Brugera.

Business indicators were once again robust in the first half thanks to the high portfolio occupancy rate, while the period also saw further gains in the portfolio's appraisal value and the Company's net asset value.

Consolidated data (€ millions)

	H1 2018	H1 2017	Change
Rental income	96.1	98.6	-2.6%
Adjusted operating profit*	78.7	82.5	-4.6%
Attributable net profit	200.2	378.7	-
EPRA earnings	51.7	49.7	+4.1%

* Operating profit before disposal gains and losses and fair value adjustments

	30/06/2018	31/12/2017	Change
Attributable equity	3,857	3,763	+2.5%
Consolidated portfolio value excluding transfer costs	6,409	6,229	+2.9%
Consolidated portfolio value including transfer costs	6,811	6,619	+2.9%
EPRA NNNAV	3,830	3,729	+2.7%
EPRA NNNAV per share	€82.3	€80.1	

Results: robust business indicators

- First-half consolidated rental income amounted to €96.1 million, down by a modest €2.6 million or 2.6% from the €98.6 million reported for the same period of 2017. Like-for-like growth went a long way towards offsetting the impact of selling the IN/OUT property in September 2017.
  - On a like-for-like basis (excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €4.2 million (4.9%) higher, reflecting the impact of new leases signed in the second half of 2017 and the first half of 2018, mainly in the Washington Plaza, 103 Grenelle, Cézanne Saint-Honoré and 9 Percier properties, as well as an increase in rents for Galerie des Champs-Elysées retail units.
  - The sale of the IN/OUT building on 29 September 2017 led to a €6.5 million decrease in rental income compared to first-half 2017.
  - Lastly, income from assets under redevelopment and various penalties dipped by €0.3 million versus first-half 2017.

- Operating profit before disposal gains and losses and fair value adjustments to investment property amounted to €78.7 million in first-half 2018 versus €82.5 million in the year-earlier period.

- The portfolio's appraisal value at 30 June 2018 was 2.9% higher on a like-for-like basis than at 31 December 2017. The increase led to the recognition of positive fair value adjustments to investment property of €159.2 million at 30 June 2018 versus positive adjustments of €382.6 million at 30 June 2017.

- Net finance costs amounted to €16.5 million in first-half 2018 compared with €21.2 million in the year-earlier period. The period-on-period decrease of €4.6 million reflected the Group's lower average cost of debt and reduced debt burden, which together led to a €6.2 million reduction in recurring financial expense.

- After taking into account these core items, the Group reported attributable net profit for the period of €200.2 million, compared with €378.7 million in first-half 2017. EPRA earnings came to €51.7 million in first-half 2018 compared with €49.7 million in the year-earlier period, an increase of 4.1%.

First-half 2018 Business Review

Rental operations:
In a still favourable rental market in the Paris region, shaped by increased volumes compared to 2017 and higher rents, particularly in the capital's Central Business District, during the first half of 2018 SFL signed leases on around 8,500 sq.m., located mainly in the Washington Plaza, Cézanne Saint-Honoré and Louvre Saint-Honoré complexes.

The new leases were signed at an average nominal rent of €686 per sq.m., corresponding to an effective rent of €603 per sq.m.

The physical occupancy rate for revenue-generating properties remained high, standing at 96.5% at 30 June 2018 compared with 96.4% at 31 December 2017. The remaining vacant units are located mainly in the Cézanne Saint-Honoré complex in Paris and the Le Vaisseau building in Issy-les-Moulineaux. The EPRA vacancy rate improved to 2.7% from 3.1% at 31 December 2017.

Development operations:
Properties undergoing development at 30 June 2018 represented roughly 15% of the total portfolio. They consist mainly of three flagship projects being implemented over the next four years, concerning:
- the retail space in the Louvre Saint-Honoré complex,
- the Emile Zola office complex acquired in 2017, which will be extensively remodelled based on the building permit obtained in May 2018,
- the 96 Iéna building, for which the planning appeal process has now ended, allowing renovation work to begin next January.

Capitalized work carried out in first-half 2018 totalled €13.6 million and concerned the above three redevelopment projects, as well as work to improve common areas and the services offered by the Group's properties in response to the new needs expressed by tenants and users on the back of emerging office use practices.

Portfolio operations:
No properties were purchased or sold during first-half 2018.

Financing

In May 2018, SFL issued €500 million worth of seven-year bonds maturing on 29 May 2025 and paying an annual coupon of 1.50% (see press release dated 17 May 2018). The proceeds will be used for general corporate purposes. The issue, at a historically low interest rate, extends the average maturity of the Group's debt, as part of its proactive balance sheet management strategy.

Net debt at 30 June 2018 amounted to €1,699 million, compared with €1,631 million at 31 December 2017, representing a loan-to-value ratio of 24.9%. At 30 June 2018, the average cost of debt after hedging was 1.8% and the average maturity was 4.8 years.

At the same date, SFL had €820 million in undrawn lines of credit.

Net Asset Value

The consolidated market value of the portfolio rose by 2.9% to €6,409 million excluding transfer costs at 30 June 2018, from €6,229 million at 31 December 2017. The increase reflected higher rental values, resilient prime property yields in Paris and the value added by the Group to properties undergoing redevelopment.

The average EPRA topped-up net initial yield (NIY) was 3.2% at 30 June 2018, unchanged from 31 December 2017.

EPRA NNNAV stood at €3,830 million or €82.3 per share at 30 June 2018 versus €80.1 per share at 31 December 2017, reflecting increases of 2.7% over the past six months and 12.0% over twelve months.

Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	H1 2018	H1 2017
Attributable net profit	**200.2**	**378.7**
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment property	(159.2)	(382.6)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	1.5	0.0
Tax on the above items	2.0	20.1
Non-controlling interests in the above items	7.2	33.5
EPRA earnings	**51.7**	**49.7**

API EPRA NNNAV

€ millions	30/06/2018	31/12/2017
Attributable equity	**3,857**	**3,763**
Treasury shares	10	11
Unrealised capital gains	20	17
Fair value adjustments to fixed rate debt	(57)	(62)
EPRA NNNAV	**3,830**	**3,729**

API Net debt

€ millions	30/06/2018	31/12/2017
Long-term borrowings and derivative instruments	1,798	1,661
Short-term borrowings and other interest-bearing debt	13	36
Debt in the consolidated statement of financial position	**1,811**	**1,697**
Less:		
Current account advances (liabilities)	(56)	(56)
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	(2)	6
Cash and cash equivalents	(54)	(16)
Net debt	**1,699**	**1,631**

2. RISK FACTORS

The risk factors described below are those which could have a material adverse effect on SFL, its business, financial position, results or share price and which are important to take into account when making investment decisions.
Risk factors are discussed on **pages 12 to 17 of the 2017 Financial and Legal Report** contained in the **2017 Annual Report** filed with the Autorité des marchés financiers (AMF) on 29 March 2018.
The information in the 2017 Annual Report is incorporated here by reference, with further detail provided where necessary to describe material changes in these risk factors.

There may be other risks in addition to those discussed below which are not known to the Company at this point in time or which may not be considered material now but could turn out to be material in the future.

1. Liquidity risk

Liquidity risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2018) on page 28 of this document (see Note VI-4 "Financial risk management objectives and policy").

2. Counterparty risk

Counterparty risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2018) on page 28 of this document (see Note VI-4 "Financial risk management objectives and policy").

3. Currency risk

SFL had no exposure to currency risks at 30 June 2018.

4. Interest rate risk

Interest rate risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2018) on pages 28 and 29 of this document (see Note VI-4 "Financial risk management objectives and policy").

a - Objectives and strategy
Risk management objectives and strategy are discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2018) on page 29 of this document (see Note VI-4 "Financial risk management objectives and policy").

b - Risk assessment
Risk measurement is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2018) on page 29 of this document (see Note VI-4 "Financial risk management objectives and policy").

5. Risks associated with changes in the economic environment and the property market

These risks are discussed on page 13 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

6. Asset valuation risks

These risks are discussed on page 13 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

7. Risks associated with a highly competitive environment

These risks are discussed on pages 13 and 14 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

8. Tenant risks

These risks are discussed on page 14 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

9. Risks associated with the availability and cost of financing

These risks are discussed on page 14 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

10. Risks associated with the loss of key personnel

These risks are discussed on page 14 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

11. Risks associated with subcontractors and other service providers

These risks are discussed on page 14 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

12. Risks associated with the regulatory environment

These risks are discussed on pages 14 and 15 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

13. Administrative risks

These risks are discussed on page 15 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

14. Risks of neighbourhood complaints

These risks are discussed on page 15 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

15. Risks associated with the majority shareholder

These risks are discussed on page 15 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

16. Risks associated with the SIIC tax regime

These risks are discussed on pages 15 to 17 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

17. Financial risks linked to the effects of climate change – measures taken by the Company to reduce these risks through a low-carbon strategy

These risks are discussed on page 17 of the 2017 Financial and Legal Report contained in the 2017 Annual Report.

At the date this document was prepared, the Company had not identified any other risks or uncertainties that would be likely to be material in the following six months.

Related-party transactions

Related party transactions are discussed in the Notes to the Interim Consolidated Financial Statements on page 36 of this document, in section IX-4 ("Related-party information").

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

SOCIÉTÉ FONCIÈRE LYONNAISE

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2018

The interim consolidated financial statements were approved for publication by the Board of Directors on 26 July 2018.

A – Consolidated Statement of Financial Position

(in thousands of euros) **ASSETS**	**Notes** **Section E**	**30 June 2018**	**31 December 2017**
Intangible assets	IV-1	1,110	1,209
Property and equipment	IV-2	21,221	21,606
Investment property	IV-5	6,295,673	6,119,148
Non-current financial assets	VI-5	1,753	2,181
Other non-current assets	V-4	50	69
Total non-current assets		**6,319,807**	**6,144,213**
Trade and other receivables	V -3	89,392	88,382
Other current assets	V-4	2,914	290
Cash and cash equivalents	VI-6	53,582	15,710
Total current assets		**145,888**	**104,382**
Total assets		**6,465,695**	**6,248,595**

(in thousands of euros) **EQUITY AND LIABILITIES**	**Notes** **Section E**	**30 June 2018**	**31 December 2017**
Share capital		93,058	93,058
Reserves		3,564,112	2,984,611
Profit for the period		200,157	685,284
Equity attributable to owners of the parent		**3,857,327**	**3,762,953**
Non-controlling interests		483,929	476,019
Total non-controlling interests		**483,929**	**476,019**
Total equity	**VII-1**	**4,341,256**	**4,238,972**
Long-term borrowings and derivative instruments	VI-1	1,796,727	1,661,231
Long-term provisions	VIII-1	1,316	1,161
Deferred tax liabilities	X-3	201,029	197,976
Accrued taxes	X-1	18,287	21,390
Other non-current liabilities	V-6	23,053	22,136
Total non-current liabilities		**2,040,412**	**1,903,894**
Trade and other payables	V -5	22,661	16,798
Short-term borrowings and other interest-bearing debt	VI-1	13,437	36,485
Short-term provisions	VIII-1	398	369
Other current liabilities	V-6	47,531	52,077
Total current liabilities		**84,027**	**105,729**
Total equity and liabilities		**6,465,695**	**6,248,595**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2018	First-half 2017
Rental income		96,066	98,627
Property expenses, net of recoveries		(5,593)	(6,868)
Net property rentals	**V-1**	**90,473**	**91,759**
Other income	V -2	607	380
Depreciation and amortisation expense	IV-3	(564)	(654)
Provision (expense)/reversals, net	VIII-2	(524)	1,789
Employee benefits expense	IX-1	(6,565)	(6,593)
Other expenses	V -7	(4,719)	(4,179)
Profit/(loss) on disposal of other assets	IV-4	(6)	-
Fair value adjustments to investment property	IV-5	159,179	382,618
Operating profit		**237,881**	**465,120**
Finance costs and other financial expenses	VI-2	(17,533)	(21,745)
Financial income	VI-2	2,099	607
Fair value adjustments to financial instruments	VI-3	(908)	115
Discounting adjustments to receivables and payables		(180)	(141)
Changes in provisions for financial assets, net		-	-
Profit before income tax		**221,359**	**443,956**
Income tax benefit/(expense)	X-2-3	(6,370)	(25,332)
Profit for the period		**214,989**	**418,624**
Attributable to owners of the parent		**200,157**	**378,726**
Attributable to non-controlling interests	VII-5	14,832	39,898
Earnings per share	VII-4	€4.33	€8.19

Other comprehensive income			
Actuarial gains and losses	VIII-1	93	95
Other items		(15)	-
Items that will not be reclassified to profit or loss		78	95
Valuation gains and losses on financial instruments (cash flow hedges)		-	-
Deferred tax impact of valuation gains and losses on financial instruments		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income		**78**	**95**
Comprehensive income		**215,067**	**418,719**
Attributable to owners of the parent		**200,235**	**378,821**
Attributable to non-controlling interests		14,832	39,898

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2016	**93,058**	**634,900**	**22,621**	**(19,460)**	**-**	**1,887,948**	**504,079**	**3,123,145**	**370,631**
Movements for the period									
Profit for the period	-	-	-	-	-	-	378,726	378,726	39,898
Other comprehensive income, net of tax	-	-	-	-	-	95	-	95	-
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**95**	**378,726**	**378,821**	**39,898**
Appropriation of profit	-	(29,929)	-	-	-	534,008	(504,079)	-	-
Treasury share transactions	-	-	-	2,188	-	-	-	2,188	-
Gains and losses on sales of treasury shares	-	-	-	(1,137)	-	-	-	(1,137)	-
Share-based payments	-	-	-	-	-	730	-	730	-
Dividends paid to owners of the parent	-	(48,855)	-	-	-	343	-	(48,512)	(5,517)
Other adjustments	-	-	-	-	-	-	-	-	(83)
Equity at 30 June 2017	**93,058**	**556,116**	**22,621**	**(18,409)**	**-**	**2,423,124**	**378,726**	**3,455,233**	**404,929**
Movements for the period									
Profit for the period	-	-	-	-	-	-	306,558	306,558	71,090
Other comprehensive income, net of tax	-	-	-	-	-	(42)	-	(42)	-
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**(42)**	**306,558**	**306,516**	**71,090**
Appropriation of profit	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	377	-	-	-	377	-
Gains and losses on sales of treasury shares	-	-	-	10	-	-	-	10	-
Share-based payments	-	-	-	-	-	816	-	816	-
Dividends paid to owners of the parent	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-
Equity at 31 December 2017	**93,058**	**556,116**	**22,621**	**(18,022)**	**-**	**2,423,898**	**685,284**	**3,762,953**	**476,019**
Movements for the period									
Profit for the period	-	-	-	-	-	-	200,157	200,157	14,832
Other comprehensive income, net of tax	-	-	-	-	-	78	-	78	-
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**78**	**200,157**	**200,235**	**14,832**
Appropriation of profit	-	-	-	-	-	685,284	(685,284)	-	-
Treasury share transactions	-	-	-	1,355	-	-	-	1,355	-
Gains and losses on sales of treasury shares	-	-	-	(1,754)	-	-	-	(1,754)	-
Share-based payments	-	-	-	-	-	921	-	921	-
Dividends paid to owners of the parent	-	-	-	-	-	(106,383)	-	(106,383)	(6,922)
Equity at 30 June 2018	**93,058**	**556,116**	**22,621**	**(18,421)**	**-**	**3,003,798**	**200,157**	**3,857,327**	**483,929**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2018	First-half 2017
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		200,157	378,726
Fair value adjustments to investment property	IV-5	(159,179)	(382,618)
Depreciation and amortisation expense (excluding impairment)	IV-3	564	654
Net additions to/(reversals of) provisions		333	(1,912)
Net (gains)/losses from disposals of assets, after tax		6	-
Discounting adjustments and valuation (gains)/losses on financial instruments		1,088	26
Deferral of rent-free periods and key money	V-1	(246)	(7,444)
Employee benefits	IX-3	921	730
Non-controlling interests in profit for the period	VII-5	14,832	39,898
Cash flow after finance costs and income tax		**58,476**	**28,060**
Finance costs	VI-2	15,434	21,138
Income tax benefit/(expense)	X-2-3	6,370	25,332
Cash flow before finance costs and income tax		**80,280**	**74,530**
Change in working capital		(300)	9,062
Interest paid		(5,330)	(4,970)
Interest received		16	8
Income tax paid		(7,168)	(13,590)
Net cash provided by operating activities		**67,498**	**65,040**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XII	(14,984)	(24,185)
Acquisitions of intangible assets and property and equipment		(77)	(266)
Proceeds from disposals of investment property, intangible assets and property and equipment		4	-
Other cash inflows and outflows		-	(8,401)
Net cash used by investing activities		**(15,057)**	**(32,852)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		-	-
Purchases and sales of treasury shares, net		(399)	1,051
Dividends paid to owners of the parent	VII-3	(106,383)	(48,512)
Dividends paid to non-controlling interests		(6,921)	(1,815)
Proceeds from new borrowings		605,270	240,260
Repayments of borrowings		(472,745)	(181,713)
Other movements in financing items		-	-
Net cash provided by financing activities		**18,822**	**9,271**
Net change in cash and cash equivalents		**71,263**	**41,459**
Cash and cash equivalents at beginning of period		(17,690)	(65,101)
Cash and cash equivalents at end of period	XII	53,573	(23,642)
Net change in cash and cash equivalents		**71,263**	**41,459**

Cash and cash equivalents in the statement of cash flows are stated net of bank overdrafts.

E – Notes to the Interim Consolidated Financial Statements

I - Accounting Policies

I - 1) Accounting standards

As required under European Commission regulation (EC) 16/06/2002 dated 19 July 2002, the interim consolidated financial statements of the SFL Group have been prepared in accordance with the International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs) and related interpretations (SICs and IFRICs) adopted by the European Union.

The following new standards and interpretations published by the IASB were not yet applicable and were not early adopted at 30 June 2018:

• IFRS 16 – Leases IFRS 16 replaces IAS 17. This standard requires all leases to be recognised in the financial statements of the lessee, in order to improve visibility of the lessee's assets and liabilities. The accounting treatment in the lessor's accounts is unchanged compared to IAS 17. The Group has prepared an initial inventory of its leases. Most of these leases concern company vehicles. IFRS 16 is applicable for annual periods beginning on or after 1 January 2019, and will not have a material impact on the Group's financial statements.

The following standards published by the IASB and adopted by the European Union are effective for accounting periods ending 30 June 2018:

• IFRS 9 – Financial Instruments. This standard overhauls the classification and measurement of financial assets and financial liabilities, impairment methodology, hedge accounting and the accounting treatment of modified loans. The Group is concerned by the standard's financial asset impairment rules. The impact of applying IFRS 9 in the interim financial statements was not material.

• IFRS 15 – Revenue from Contracts with Customers. This introduces a common standard for recognising revenue from contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
An assessment has been made of the impact on the financial statements of applying IFRS 15.
Substantially all of the Group's revenue from contracts with customers falls within the scope of IAS 17 and not IFRS 15. Other revenues are marginal and their accounting treatment complies with IFRS 15.
The new standard did not therefore have any impact on the interim consolidated financial statements.

I - 2) Accounting conventions

The consolidated financial statements are presented in thousands of euros. They include the financial statements of SFL and its subsidiaries. The financial statements of subsidiaries cover the same period as those of SFL and have been prepared according to the same accounting policies. Intragroup transactions are eliminated in consolidation.

Subsidiaries are consolidated from the date when control is acquired and are removed from the scope of consolidation when control is transferred outside the Group. When SFL ceases to exercise control over a subsidiary, the consolidated financial statements include the subsidiary's results for the period from the beginning of the year to the date when control is transferred.

Material companies in which the Group exercises control, pursuant to the terms of a shareholders' pact, through ownership of the majority of voting rights or otherwise, are fully consolidated.

The Group has chosen to measure investment property using the fair value model (see Note IV-5).

I - 3) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note IV-5).

All of the Group's financial instruments are measured using standard market valuation models (see Note VI-4).

II - Significant Events of the Period

II - 1) Redevelopment and renovation programmes

No properties were purchased or sold during first-half 2018.

Properties undergoing development at 30 June 2018 represented roughly 15% of the total portfolio. They consist mainly of three flagship projects being implemented over the next four years, concerning the retail space in the Louvre-Saint-Honoré complex, the Emile Zola office complex acquired in 2017, which will be extensively remodelled based on the building permit obtained in May 2018, and the 96 Iéna office building which will also undergo a complete renovation.

During first-half 2018, leases were signed on around 8,500 sq.m. of mainly office space.

II - 2) Financing

In May 2018, SFL issued €500 million worth of 1.50% seven-year bonds due 29 May 2025.

The proceeds will be used for general corporate purposes. The issue extends the average maturity of debt, in line with the Group's strategy of actively managing assets and liabilities.

II - 3) Subsequent events

None.

III - Segment Information

The Group's properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as a separate reportable segment. They are grouped into geographical segments in accordance with IFRS 8.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Rental income	79,583	1,510	14,973	-	96,066
Property expenses, net of recoveries	(4,077)	(404)	(1,112)	-	(5,593)
Net property rentals	**75,506**	**1,106**	**13,861**	**-**	**90,473**
Other income	582	-	2	23	607
Depreciation and amortisation expense	-	-	-	(564)	(564)
Provision (expense)/reversals, net	(178)	-	(13)	(333)	(524)
Employee benefits expense	-	-	-	(6,565)	(6,565)
Other expenses	-	-	-	(4,719)	(4,719)
Profit/(loss) on disposal of other assets	-	-	-	(6)	(6)
Fair value adjustments to investment property	146,932	40	12,207	-	159,179
Operating profit/(loss)	**222,842**	**1,146**	**26,057**	**(12,164)**	**237,881**
Finance costs and other financial expenses	-	-	-	(17,533)	(17,533)
Financial income	-	-	-	2,099	2,099
Fair value adjustments to financial instruments	-	-	-	(908)	(908)
Discounting adjustments to receivables and payables	-	-	-	(180)	(180)
Changes in provisions for financial assets, net	-	-	-	-	-
Profit/(loss) before income tax	**222,842**	**1,146**	**26,057**	**(28,685)**	**221,359**
Income tax expense	(2,109)	-	-	(4,261)	(6,370)
Profit/(loss) for the period	**220,733**	**1,146**	**26,057**	**(32,947)**	**214,989**
Attributable to owners of the parent	**202,657**	**1,146**	**26,057**	**(29,703)**	**200,157**
Attributable to non-controlling interests	18,076	-	-	(3,244)	14,832

Other comprehensive income					
Actuarial gains and losses	-	-	-	93	93
Other comprehensive income	-	-	-	(15)	(15)
Items that will not be reclassified to profit or loss	-	-	-	78	78
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	-	-
Deferred tax impact of valuation gains and losses on financial instruments	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-	-
Total other comprehensive income	**-**	**-**	**-**	**78**	**78**
Comprehensive income	**220,733**	**1,146**	**26,057**	**(32,869)**	**215,067**
Attributable to owners of the parent	**202,657**	**1,146**	**26,057**	**(29,625)**	**200,235**
Attributable to non-controlling interests	18,076	-	-	(3,244)	14,832

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Segment assets	5,208,961	97,948	988,764	77,229	6,372,902
Unallocated assets	-	-	-	92,793	92,793
Total assets	**5,208,961**	**97,948**	**988,764**	**170,022**	**6,465,695**

Segment assets correspond mainly to the Group's property assets.

No segment analysis of liabilities is presented, as they correspond primarily to unsecured financing for general corporate purposes and unsecured bonds that are not allocated to any specific segment.

The Group's main geographical segments are as follows:

* **Paris Central Business District:** market comprising the Golden Triangle and the Financial District, spanning parts of the 1st, 2nd, 9th, 8th, 16th and 17th *arrondissements* of Paris. The segment extends from Porte Maillot, avenue de Malakoff and Trocadéro in the west to rue Montmartre and rue du Louvre in the east, and from Porte Champerret, avenue de Villiers and Saint Lazare railway station in the north to rue de Rivoli in the south.

* **Western Crescent:** located to the west of Paris on the other side of the Boulevard Périphérique ring-road, comprising notably Neuilly-sur-Seine, Boulogne-Billancourt, Issy-les-Moulineaux and Levallois-Perret.

* **Other:** corresponding to the rest of Paris, outside the Central Business District.

These geographic segments have been defined by the main Paris-based real estate professionals by combining neighbourhoods with similar economic features.

IV - Intangible Assets, Property and Equipment, and Investment Property

IV - 1) Intangible assets

Accounting policy

Intangible assets correspond mainly to purchased software and software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.
Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life. Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually (in accordance with IAS 36) or more frequently if there is an indication that they may be impaired.
Software development costs for the main projects are amortised over the software's expected period of use from the date it is put in production. Other software development costs are amortised over the year in which they are capitalised.

(in thousands of euros)	31 Dec. 2017	Increases	Decreases	Reclassifications	30 June 2018
Cost					
Computer software	6,633	-	-	-	6,633
Other	821	43	-	-	864
Accumulated amortisation					
Computer software	(6,245)	(142)	-	-	(6,387)
Other	-	-	-	-	-
Carrying amount	**1,209**	**(99)**	**-**	**-**	**1,110**

IV - 2) Property and equipment

Accounting policy

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property.
Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Washington Plaza building used by the Group for administrative purposes.
Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Washington Plaza owner-occupied property:

Shell	105 to 118 years
Roof, windows, doors	8 to 24 years
Fixtures, fittings and installations	5 to 29 years

Other:

Fixtures and installations	2 to 20 years
Fittings and equipment	5 to 10 years
Computer and other equipment	2 to 5 years

The gain or loss arising from derecognition of an item of property or equipment, corresponding to the difference between the net disposal proceeds and the carrying amount of the item, is included in profit when the item is derecognised.

(in thousands of euros)	31 Dec. 2017	Increases	Decreases	Reclassifications	Changes in scope of consolidation	30 June 2018
Cost						
Owner-occupied property	21,238	-	-	-	-	21,238
Other property and equipment	5,910	35	(11)	11	8	5,953
Accumulated depreciation						
Owner-occupied property	(2,770)	(184)	-	-	-	(2,954)
Other property and equipment	(2,772)	(237)	1	-	(8)	(3,016)
Carrying amount	**21,606**	**(386)**	**(10)**	**11**	**-**	**21,221**

The appraisal value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €44,564 thousand at 30 June 2018 and €40,970 thousand at 31 December 2017.

IV - 3) Amortisation and depreciation

(in thousands of euros)	First-half 2018	First-half 2017
Amortisation of intangible assets	(142)	(209)
Depreciation of property and equipment	(422)	(445)
Total	**(564)**	**(654)**

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns owner-occupied property (corresponding to the Group's headquarters) and other property and equipment.

IV - 4) Profit/(loss) on disposal of other assets

The loss on disposals of other assets in first-half 2018 arose mainly from sales of furniture.

IV - 5) Investment property

Accounting policy

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both.

Acquisitions of property companies that do not meet the definition of a business combination under IFRS 3 are treated as direct acquisitions of the underlying investment property.

SFL has chosen to measure investment property using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment property is measured at fair value and gains or losses arising from changes in fair value are recognised in profit. Investment property is not depreciated.

The fair value of investment property is the amount at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair values of investment property carried in the Group's statement of financial position correspond to the prices obtained from independent valuations performed using the method described below.

Changes in fair value, which are recognised in the statement of comprehensive income under "Fair value adjustments to investment property", are calculated as follows:

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

The change in fair value is adjusted to exclude the effects of specific lease terms or provisions recognised under other asset captions and included in the fair value calculation, to avoid these effects being taken into account twice.

Valuation method

The Group's entire property portfolio was valued at 30 June 2018 by Jones Lang LaSalle and Cushman & Wakefield.
The valuations were performed in accordance with the *Charte de l'Expertise en Evaluation Immobilière* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states:
"Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:
– Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
– When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
– An independent valuer may serve for no more than two four-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."

The Group's portfolio is appraised at half-yearly intervals by a group of two independent firms, each of which is responsible for valuing part of the total portfolio as follows (the percentages below are determined by reference to the total value of the properties, excluding transfer costs):
- Cushman & Wakefield: 56%
- Jones Lang LaSalle: 44%

The firms ensure that their internal teams are rotated as required. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

The properties are valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Assumptions concerning future revenue flows take into account passing rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC), office rent index (ILAT) and retail rent index (ILC). Each property is analysed in detail, according to the type of use and the surface area of each unit, lease by lease.
Based on information provided by the Group, the valuers noted that rents on certain units were above or below market rents for the period on similar properties. These differences were taken into account to value the properties according to their current occupancy, based on the duration of the underlying leases.
Vacant units were valued on the basis of assumed rents, excluding rent for the estimated marketing period, after deducting remaining renovation costs for the period until the units are re-let and any rent-free period expected to be granted. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure to achieve the asset's highest and best use as defined by IFRS 13.
Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.
The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value. However, given that these appraisal values are essentially estimates that are sensitive to changes in rental values and discount rates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the period-end.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 7.5% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs and acquisition expenses.

Fair value measurement of investment property

IFRS 13 – Fair Value Measurement establishes a single definition of fair value and describes all the information concerning fair value to be disclosed in the notes to the financial statements.

Fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The valuation of investment property takes into account this definition of fair value.

In IFRS 13, fair value measurements are categorised into a three-level hierarchy. Level 3 concerns unobservable inputs for the asset or liability. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.

Due to the nature of the investment property market in France and the characteristics of the Group's investment property, the most meaningful inputs, particularly market rents, investment yields and/or discount rates, represent Level 3 inputs.

(in thousands of euros)	31 Dec. 2017	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassif-ications	30 June 2018
Investment property	6,119,148	17,357	167,214	-	(8,035)	(11)	6,295,673
Total	**6,119,148**	**17,357**	**167,214**	**-**	**(8,035)**	**(11)**	**6,295,673**

Reconciliation of the appraisal value of investment property to their fair value in the statement of financial position:

(in thousands of euros)	30 June 2018	31 Dec. 2017
Appraisal value of investment property, excluding transfer costs	6,409,057	6,229,075
Deduction of owner-occupied property (see Note IV-2)	(44,564)	(40,970)
Adjustments to reflect specific lease terms and other adjustments	(68,820)	(68,957)
Fair value of investment property in the statement of financial position	**6,295,673**	**6,119,148**

The table below shows the fair value measurement inputs for each asset class:

Geographic area	Value excluding transfer costs 30 June 2018 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	5,319	Market rent for offices	€580 - €814	€705
		Exit yield	3.15% - 3.50%	3.27%
		Discount rate	3.90% - 6.10%	4.28%
Other	992	Market rent for offices	€540 - €683	€591
		Exit yield	3.40% - 3.80%	3.55%
		Discount rate	4.00% - 6.25%	4.76%
Western Crescent	98	Market rent for offices	€313 - €430	€413
		Exit yield	4.03% - 4.95%	4.59%
		Discount rate	4.50% - 5.95%	5.27%
Total	**6,409**			

[1] *Offices.*

A 25-bps increase in the exit yield combined with a 25-bps increase in the discount rate would have the effect of reducing the portfolio's appraisal value by €494,344 thousand, while a 25-bps decrease in the exit yield combined with a 25-bps decrease in the discount rate would have the effect of increasing the portfolio's appraisal value by €579,994 thousand.

V - Operating Activities

V -1) Net property rentals

Accounting policy

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount can be measured reliably. The specific revenue recognition criteria applied by the Group are as follows:

Rental income

Rental income from investment property are recognised on a straight-line basis over the lease term. The transfer of economic benefits corresponds to the date stipulated in the contract, or to the tenant's entry date if stipulated in the contract.

Specific lease terms

Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation. In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step up clauses are recognised over the non-cancellable lease term.

Key money received by the lessor is recognised in property rentals over the non-cancellable lease term.

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in revenue on the payment date.

Eviction compensation may be paid to secure the departure of a tenant, either to allow renovation work to be performed or so that the property can be re-let at a higher rent. In both cases this has the effect of increasing the asset's value and the compensation is therefore capitalised as part of the cost of the asset.

The Group's principal business is the rental of office and retail properties, which account for 97.8% of rental income. Net property rentals take into account the net positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In first-half 2018, this impact was €246 thousand.

(in thousands of euros)	First-half 2018	First-half 2017
Rental income	**96,066**	**98,627**
Property operating expenses	(22,172)	(24,014)
Property expenses recovered from tenants	16,579	17,146
Property expenses, net of recoveries	**(5,593)**	**(6,868)**
Net property rentals	**90,473**	**91,759**

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Rental income	718,501	184,669	437,283	96,549

V - 2) Other income

(in thousands of euros)	First-half 2018	First-half 2017
Own-work capitalised	15	28
Other income	592	352
Total	**607**	**380**

The caption "Other income" corresponds mainly to rental repairs and other work billed to tenants.

V - 3) Trade and other receivables

Accounting policy

Trade receivables are initially recognised at fair value and are subsequently measured using the cost model.

Provisions for impairment are recognised on a case-by-case basis for the difference between the receivables' carrying amount and recoverable amount.

(in thousands of euros)	30 June 2018			31 Dec. 2017
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	81,144	24,778	56,366	79,606
Provisions	(1,098)	(28)	(1,070)	(892)
Trade receivables	**80,046**	**24,750**	**55,296**	**78,714**
Prepayments to suppliers	-	-	-	52
Employee advances	42	42	-	8
Tax receivables (other than income tax)	6,637	6,637	-	6,506
Other operating receivables	2,415	2,415	-	2,398
Other receivables	252	252	-	704
Other receivables	**9,346**	**9,346**	-	**9,668**
Total	**89,392**	**34,096**	**55,296**	**88,382**

Trade receivables include €68,820 thousand (of which €14,384 thousand reported under current assets) corresponding to the impact of rent-free periods and other special lease terms that is deferred over the non-cancellable lease term in accordance with IFRS. Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	30 June 2018	31 Dec. 2017
Increases in provisions	(211)	(131)
Reversals of provisions	19	6
Bad debt write-offs, net of recoveries	(2)	(30)
Total	**(194)**	**(155)**
Rental income	96,066	195,780
Net losses as a % of rental income	**0.20%**	**0.08%**

V - 4) Other current and non-current assets

(in thousands of euros)	30 June 2018	31 Dec. 2017
Deferred tax assets	50	69
Total other non-current assets	**50**	**69**
Income tax prepayments	112	71
Other prepayments	2,802	219
Total other current assets	**2,914**	**290**

Deferred tax assets are analysed in Note X-3.

V - 5) Trade and other payables

(in thousands of euros)	30 June 2018	31 Dec. 2017
Trade payables	12,308	6,325
Amounts due within one year on asset acquisitions	10,353	10,473
Total	**22,661**	**16,798**

V - 6) Other current and non-current liabilities

(in thousands of euros)	30 June 2018	31 Dec. 2017
Deposits	23,053	22,136
Total other non-current liabilities	**23,053**	**22,136**
Deposits	3,225	4,625
Customer prepayments	18,268	17,046
Accrued employee benefit expense	4,548	7,957
Accrued taxes	14,058	13,344
Other liabilities	4,783	4,483
Accruals	2,649	4,622
Total other current liabilities	**47,531**	**52,077**

The caption "Other non-current liabilities" corresponds mainly to guarantee deposits and bonds received from tenants. Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

Accrued taxes include the exit tax instalments due in 2018 and related to the 131 Wagram and Emile Zola buildings, for a total of €8,440 thousand.

The amounts reported under "Accruals" correspond to deferred revenue.

V - 7) Other expenses

(in thousands of euros)	First-half 2018	First-half 2017
Fees	(910)	(875)
Taxes other than on income	(1,304)	(1,042)
Other	(2,505)	(2,262)
Total	**(4,719)**	**(4,179)**

VI - Financing Activities

VI - 1) Borrowings and other interest-bearing debt

Accounting policy

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, net of directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

			30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017
(in thousands of euros)	**Effective interest rate**	**Expiry date**	**Short-term portion**		**Long-term portion**	
Bonds						
€500 million bond issue, 2014-2021	1.875%	26 Nov. 2021	5,574	925	500,000	500,000
€500 million bond issue, 2015-2022	2.25%	16 Nov. 2022	6,997	1,418	500,000	500,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	678	-	500,000	-
Bank loans						
Banco Sabadell	Euribor + spread	5 June 2020	-	1	-	10,000
BNP Paribas 2016	Euribor + spread	24 May 2021	41	42	50,000	75,000
BECM	Euribor + spread	23 April 2019	-	91	-	150,000
Cadif	Euribor + spread	16 June 2023	-	16	-	175,000
Natixis – Deka – Deutsche Hypotheken	1.571%	16 July 2022	2,627	2,630	200,200	201,240
Interest rate swaps						
CA-CIB 5-year swap	0.23%	28 Nov. 2022	52	53	532	51
Bank overdrafts	Various		9	33,400	-	-
Current account advances (liabilities)	Various		38	55	55,646	55,646
Impact of deferred recognition of debt arranging fees			(2,579)	(2,146)	(9,651)	(5,706)
Total			**13,437**	**36,485**	**1,796,727**	**1,661,231**

The following table analyses borrowings by maturity:

(in thousands of euros)	30 June 2018	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2017
Bonds	1,513,249	13,249	1,000,000	500,000	1,002,343
Banco Sabadell	-	-	-	-	10,001
BNP Paribas 2016	50,041	41	50,000	-	75,042
BECM	-	-	-	-	150,091
Cadif	-	-	-	-	175,016
Natixis/Deka/Deutsche Hypothekenbank.	202,827	2,627	200,200	-	203,870
CA-CIB 5-year swap	584	52	532	-	104
Current account advances (liabilities)	55,684	38	55,646	-	55,701
Deferred debt arranging fees	(12,230)	(2,579)	(7,969)	(1,682)	(7,852)
Bank overdrafts	9	9	-	-	33,400
Total	**1,810,164**	**13,437**	**1,298,409**	**498,318**	**1,697,716**

Current account advances correspond to Prédica's minority interest in SCI Washington.

Debt covenants and acceleration clauses in force at 30 June 2018 concerned lines of credit obtained from BNP Paribas, Cadif, Banco Sabadell and Banque Postale. They can be broken down as follows:

Applicable ratios	**Actual ratios at 30 June 2018**	**Actual ratios at 31 Dec. 2017**	**Main acceleration clauses**
Loan-to-value (LTV) <= 50%	24.9%	24.6%	Loan default Termination of operations
Interest cover >= 2x	5.2	4.0	Bankruptcy proceedings
Secured LTV <= 20%	3.0%	3.1%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€5.8bn	€5.6bn	Material adverse event

The Group was not in breach of any of its financial covenants at 30 June 2018.

VI - 2) Finance costs and other financial income and expenses

(in thousands of euros)	First-half 2018	First-half 2017
Interest on bonds and bank loans	(15,603)	(20,292)
Interest on external current account advances	(76)	(115)
Hedging losses	(280)	-
Other financial expenses	(1,574)	(1,338)
Finance costs and other financial expenses	**(17,533)**	**(21,745)**
Interest income	16	8
Financial expense transfers	2,083	599
Other financial income	-	-
Financial income	**2,099**	**607**
Finance costs and other financial income and expenses, net	**(15,434)**	**(21,138)**

Financial expense transfers correspond to finance costs capitalised at the rate of 1.71% during the redevelopment of the Louvre Saint-Honoré and Emile Zola buildings.

VI - 3) Financial instruments

Accounting policy

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates. These instruments are measured at fair value at each period-end.
Standard market valuation methods are used – corresponding to Level 2 inputs in the fair value hierarchy (see Note IV-5) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.
For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.

For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.

For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.
When a hedging relationship is discontinued, it no longer qualifies for hedge accounting and any subsequent changes in fair value of the hedging instrument are recognised directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity at that date are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised in profit.

At 30 June 2018, the Group’s portfolio included:

- A 5-year swap (variable rate swapped for a fixed rate of 0.23%) set up with CA-CIB on a notional amount of €100,000 thousand. The swap came into effect on 28 November 2017 and is measured at fair value through profit or loss.

- A 5-year 0.25% cap set up with CADIF (the option writer) on a notional amount of €100,000 thousand. The cap came into effect on 16 November 2017 and is measured at fair value through profit or loss.

Fair value of hedging instruments

The fair value of the Group's hedging instruments at 30 June 2018 was €524 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	30 June 2018	31 Dec. 2017
CA-CIB 0.23% swap	100,000	Nov. 2022	(532)	(51)
CADIF 0.25% cap	100,000	Nov. 2022	1,056	1,484
Total	**200,000**		**524**	**1,433**

Fair value adjustments to financial instruments

Fair value adjustments to hedging instruments recognised through profit represented a negative €908 thousand in first-half 2018.

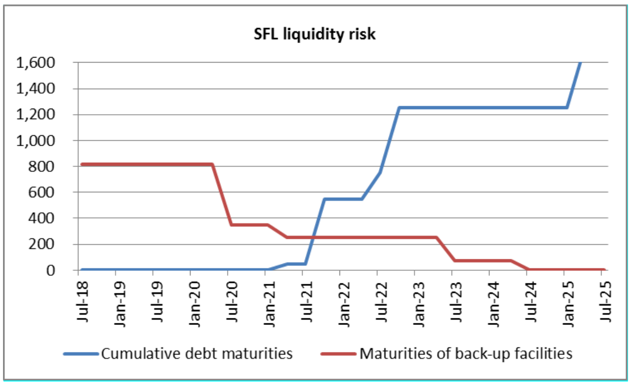
(in thousands of euros)	First-half 2018	First-half 2017
Interest rate hedges	(908)	115
Total	**(908)**	**115**

VI - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 30 June 2018, SFL had access to confirmed undrawn lines of credit representing €820 million compared with €760 million at 31 December 2017. As shown in the graph below, the liquidity represented by these back-up facilities is sufficient to cover the Group's repayment obligations under its lines of credit up until November 2021.



With its available credit lines, diversified debt structure and the quality of its assets, the Group manages its liquidity risk prudently and effectively.

The acceleration clauses contained in the facility agreements are presented in Note VI-1.

2 - Counterparty risk

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

3 - Market risk

The Group did not have any exposure to currency risk at 30 June 2018. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with interest rate fluctuations.

a/ Objectives and strategy

Standard interest rate derivatives and fixed rate borrowings are used with the dual objective of reducing the sensitivity of borrowing costs to rising interest rates and minimising the cost of the derivatives. Steeper or flatter yield curves, market volatility, intrinsic interest rate levels and expected interest rate trends influence the choice of hedging instruments.

b/ Risk assessment

The average spot cost of debt stood at 1.84% at 30 June 2018, versus 1.69% at 31 December 2017.

A 50-basis point increase in interest rates across the yield curve would lower the average cost of debt to 1.83%, reducing annual finance costs by €88 thousand, representing 0.50% of total annual finance costs. A 50-basis point decline in interest rates across the yield curve would raise the average cost of debt to 1.85%, lifting annual finance costs by €88 thousand, representing 0.50% of total annual financial costs.

Concerning hedging instruments, a 50-basis point increase in interest rates would have the effect of increasing the fair value of hedging instruments by €3,124 thousand at 30 June 2018, while a 50-basis point decrease would reduce their fair value by €2,740 thousand.

c/ Interest rate risk

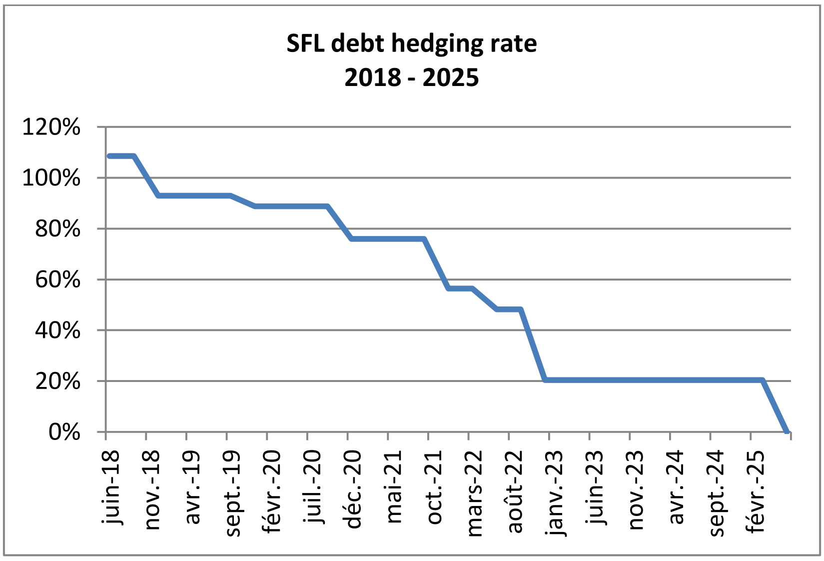
The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk at 30 June 2018.

(in thousands of euros)	Due within 1 year	Due in 1-2 years	Due in 2-3 years	Due in 3-4 years	Due in 4-5 years	Due beyond 5 years	Total
2016 BNP Paribas loan	-	-	50,000	-	-	-	50,000
Current account advances	-	55,646	-	-	-	-	55,646
Total floating rate debt	**-**	**55,646**	**50,000**	**-**	**-**	**-**	**105,646**

The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

Net unhedged position

At 30 June 2018, consolidated debt was fully hedged.



Fair value of bonds

The fair value of the Group's outstanding bond issues at 30 June 2018 was €1,557,057 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	30 June 2018	31 Dec. 2017
November 2014 bonds	500,000	Nov. 2021	524,737	526,900
November 2015 bonds	500,000	Nov. 2022	533,348	535,735
May 2018 bonds	500,000	May 2025	498,972	-
Total	**1,500,000**		**1,557,057**	**1,062,635**

VI - 5) Financial assets

Accounting policy

Non-current financial assets comprise deposits paid to third parties and derivative instruments.

They are initially recognised at fair value, generally corresponding to their purchase price plus transaction costs.

The accounting treatment of derivative instruments is presented in Note VI-3.

(in thousands of euros)	31 Dec. 2017	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	30 June 2018
Deposits	697	-	-	-	-	697
Interest rate hedges	1,484	-	-	(428)	-	1,056
Total	**2,181**	**-**	**-**	**(428)**	**-**	**1,753**

Hedging instruments with a positive fair value recognised in assets totalled €1,056 thousand at 30 June 2018 (see Note VI-3).

VI - 6) Cash and cash equivalents

Accounting policy

Cash and cash equivalents carried in the statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months. They are short-term, highly liquid investments that are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.

(in thousands of euros)	30 June 2018	31 Dec. 2017
Cash at bank and in hand	53,582	15,710
Total	**53,582**	**15,710**

VII - Equity and Earnings Per Share

VII - 1) Equity

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.
The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

VII - 2) Treasury shares

Accounting policy

Acquisitions, disposals and cancellations of treasury shares are recorded as a deduction from equity.

(in thousands of euros)	31 Dec. 2017	Increases	Decreases	30 June 2018
Number of treasury shares	307,135	44,153	(75,049)	276,239
Average purchase/sale price, in euros	€64.26	€58.25	€52.33	€66.54
Total	19,736	2,572	(3,927)	18,381

VII - 3) Dividends

(in thousands of euros)	First-half 2018		First-half 2017	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	106,383	€2.30	48,512	€1.05
Total	106,383	€2.30	48,512	€1.05

VII - 4) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period, net of treasury shares held at the period-end.

(in thousands of euros)	First-half 2018	First-half 2017
Profit used to calculate basic earnings per share	200,157	378,726
Number of ordinary shares at 30 June	46,528,974	46,528,974
Number of treasury shares at 30 June	(276,239)	(313,850)
Number of ordinary shares at 30 June excluding treasury shares	**46,252,735**	**46,215,124**
Earnings per share	€4.33	€8.19
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 30 June	(276,239)	(313,850)
Weighted average number of ordinary shares excluding treasury shares	**46,252,735**	**46,215,124**
Basic earnings per weighted average share	€4.33	€8.19

There were no other transactions on ordinary shares or potential ordinary shares between the period-end and the date when these financial statements were drawn up.

VII - 5) Non-controlling interests in net profit

(in thousands of euros)	First-half 2018	First-half 2017
SCI Washington	**7,889**	**11,973**
Rental income	*3,760*	*3,331*
Fair value adjustments to investment property	*4,276*	*8,791*
Net financial expense	*(72)*	*(78)*
Other	*(75)*	*(71)*
Parholding subgroup	**6,943**	**27,925**
Rental income	*7,448*	*7,146*
Fair value adjustments to investment property	*3,937*	*34,731*
Net financial expense	*(878)*	*(923)*
Deferred tax	*(1,527)*	*(10,912)*
Current tax	*(1,611)*	*(1,678)*
Other	*(426)*	*(439)*
Total	**14,832**	**39,898**

VIII - Provisions

VIII - 1) Short and long-term provisions

Accounting policy

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are recorded in the financial statements if, and only if, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
Provisions for contingencies and charges are determined using Management estimates and assumptions based on information and circumstances existing at the time of the preparation of the financial statements, and therefore require the use of judgement.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the statement of comprehensive income, the provision expense is presented net of the amount recognised for the reimbursement.

(in thousands of euros)	31 Dec. 2017	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	30 June 2018
Provisions for refurbishment work and tenant claims	-	-	-	-	-	-
Provisions for employee benefits	1,161	304	(56)	*(56)*	(93)	1,316
Long-term provisions	**1,161**	**304**	**(56)**	***(56)***	**(93)**	**1,316**
Provisions for refurbishment work and tenant claims	356	-	-	-	-	356
Provisions for employee benefits	13	29	-	-	-	42
Short-term provisions	**369**	**29**	**-**	**-**	**-**	**398**
Total	**1,530**	**333**	**(56)**	***(56)***	**(93)**	**1,714**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €808 thousand. See Note IX-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €17 thousand at 30 June 2018 versus €16 thousand at 31 December 2017.

VIII - 2) Provision (expense)/reversals, net

(in thousands of euros)	First-half 2018	First-half 2017
Charges to provisions for impairment of current assets	(211)	(162)
Charges to provisions for operating contingencies and charges	(219)	(104)
Charges to provisions for other contingencies and charges	(113)	(63)
Total charges	**(543)**	**(329)**
Reversals of provisions for impairment of current assets	19	39
Reversals of provisions for operating contingencies and charges	-	2,070
Reversals of provisions for other contingencies and charges	-	9
Total reversals	**19**	**2,118**
Total	**(524)**	**1,789**

IX - Remuneration and Other Employee Benefits

IX - 1) Employee benefits expense

The Group had 72 administrative staff (including two corporate officers) and two building staff at 30 June 2018, compared with 75 administrative staff and two building staff at 30 June 2017.

Employee benefits expense breaks down as follows:

(in thousands of euros)	First-half 2018	First-half 2017
Wages and salaries	(3,624)	(3,754)
Payroll taxes	(1,883)	(1,891)
Other employee benefits	(921)	(730)
Statutory and discretionary profit-sharing	(137)	(218)
Total	**(6,565)**	**(6,593)**

IX - 2) Length-of-service awards payable to employees on retirement

Accounting policy

IAS 19R requires companies to recognise all of their employee benefit liabilities in the statement of financial position. Employee benefit plan costs are recognised over the vesting period. The main employee benefit plans concern length-of-service awards payable to employees on retirement.

Measurement method

Long-term employee benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period.

They are calculated at six-monthly intervals based on actuarial assumptions. Actuarial gains and losses are included in "Other comprehensive income". The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative.

(in thousands of euros)	30 June 2018	31 Dec. 2017
Projected benefit obligation at 1 January	**872**	**862**
Benefits paid during the period	(56)	(21)
Service cost	76	75
Interest cost	9	9
Actuarial gains and losses	(93)	(53)
Projected benefit obligation at 30 June	**808**	**872**

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including, at 30 June 2018, a discount rate of 1.45% (31 December 2017: 1.30%) and a 1.50% rate of future salary increases (31 December 2017: 1.50%). Actuarial gains and losses are recognised in equity.
A 25-bps reduction in the discount rate at 30 June 2018 would lead to a €15 thousand increase in the projected benefit obligation at that date.

The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.

- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 20, 30, 35 and 40 years of service with the SFL Group, and one month's salary to building staff who complete 25 years of service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

IX - 3) Share-based payments

Accounting policy

IFRS 2 requires all share-based payment transactions to be recognised in the statement of comprehensive income.

Measurement method

The total cost of each performance share plan is calculated at the grant date by multiplying the number of performance share rights that are expected to vest by the fair value per share.

The fair value of the performance shares is determined using the Capital Asset Pricing Model (CAPM), based on the share price on the grant date, adjusted for the discounted present value of future dividends payable during the vesting period. The number of shares expected to vest corresponds to the target number of allocated shares multiplied by the estimated vesting rate, taking into account each plan's specific vesting conditions.

The total cost calculated as explained above is recognised on a straight-line basis over the vesting period. The estimated vesting rate and the resulting estimated total cost are adjusted at each period-end to take account of the latest estimate of the number of shares expected to vest.

Details of performance share plans at 30 June 2018

	Plan no. 4	Plan no. 4	Plan no. 5
Date of shareholder authorisation	13/11/2015	13/11/2015	20/04/2018
Grant date (date of Board meeting)	26/04/2016	03/03/2017	20/04/2018
Initial target number of shares	32,036	33,376	33,592
Initial expected vesting rate	70.83%	70.83%	100.00%
Initial number of shares expected to vest	22,691	23,640	33,592
Fair value per share	€41.49	€42.61	€48.64
Rights cancelled/forfeited	(1,140)	(2,240)	(1,428)
Expected vesting rate at 30 June 2018	125.00%	100.00%	100.00%
Number of shares expected to vest at 30 June 2018	**38,620**	**31,136**	**32,164**

Main features of the plans

The plans' main features are as follows:

- The shares will vest only if the grantee is still employed by the Group on the vesting date.
- Performance target: the number of shares that vest depends on SFL's ranking among a group of five listed property companies based on growth in consolidated ANAV per share.
- The performance shares will vest 15 business days after the publication by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year after the grant date.
- Lock-up period: the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

Accounting treatment

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period. At 30 June 2018, the rates applied were 125% for the 2016 plan (probable ranking: no. 2) and 100% for the 2017 and 2018 plans (probable ranking: no.3).

During first-half 2018, a total of 37,896 performance shares vested under 2015 Plan no.3.

The cost of performance share plans recognised in first-half 2018 amounted to €921 thousand (excluding specific employer contributions).

IX - 4) Related party information

The remuneration paid to the members of the Board of Directors and Management Committee breaks down as follows:

(in thousands of euros)	**First-half 2018**	**First-half 2017**
Short-term benefits, excluding payroll taxes(1)	2,156	2,404
Payroll taxes on short-term benefits	803	782
Share-based payments(2)	617	471
Directors' fees	356	353
Total	**3,932**	**4,010**

(1) *Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the period.*

(2) *Cost recognised in the statement of comprehensive income for stock options and employee rights issues.*

At 30 June 2018, related-party transactions comprise current account advances representing the share of the minority shareholder, Prédica, in SCI Washington (see Note VI-1).

X - Income Taxes

X - 1) Current and deferred tax liabilities

Accounting policy

Non-current liabilities with fixed maturities are discounted.

Measurement method

Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation. The present value measurement is performed using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

Due	2019	2020	2021	Total
Amount payable	8,284	5,048	4,955	18,287

This item corresponds mainly to the long-term portion of the exit tax due as a result of:

- the exercise, in June 2016, of the finance lease purchase option on the 131 Wagram property. The €13 million tax liability is payable in four annual instalments between 2017 and 2020 and has been discounted.

- the election for the Emile Zola building to be included in assets taxed under the SIIC regime in December 2017. The €21 million tax liability is payable in four annual instalments between 2018 and 2021 and has been discounted.

X - 2) Income tax expense

Accounting policy

The results of businesses subject to income tax are taxed at the standard rate. The Group entities that have elected to be taxed as a SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

Current income tax expense for first-half 2018 amounted to €3,298 thousand (first-half 2017: €3,487 thousand) and mainly concerned the Parholding tax group.

X - 3) Deferred taxes

Accounting policy

For businesses subject to income tax, deferred tax assets and liabilities are recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis.

The election for taxation as a SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern businesses that are not eligible for taxation as a SIIC (certain non-qualifying partnerships).

Deferred tax assets and liabilities are calculated for all temporary differences using the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, i.e., 31% and 25% following enactment of France's 2018 Finance Act providing for a gradual reduction in the corporate income tax rate from 33.33% to 25%. If the criteria for applying either of the above rates are not fulfilled, the tax rate at the period-end is used, i.e., 33.33%.

(in thousands of euros)	**Statement of Financial Position 31 Dec. 2017**	**Reclassifications**	**Equity**	**Statement of Comprehensive Income**	**Statement of Financial Position 30 June 2018**
Fair value adjustments to investment property	(171,910)	-	-	(2,033)	(173,943)
Adjustment of depreciation	(23,039)	-	-	(954)	(23,993)
Adjustment of property rentals	(1,601)	-	-	(76)	(1,677)
Capitalisation of interest expense and transaction costs	(521)	-	-	-	(521)
Other	(836)	-	-	(9)	(845)
Net	**(197,907)**	-	-	**(3,072)**	**(200,979)**
Of which deferred tax assets	69	-	-	(19)	50
Of which deferred tax liabilities	(197,976)	-	-	(3,053)	(201,029)

XI - Off-Balance Sheet Commitments

XI - 1) Operations-related commitments

Guarantees

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Property guarantees	110	110	-	-
Commitments received				
Guarantees received from tenants	52,332	930	19,039	32,363
Guarantees received from suppliers	186	186	-	-
Total commitments received	**52,518**	**1,116**	**19,039**	**32,363**

Contractual redevelopment and renovation obligations

At 30 June 2018, the Group's contractual commitments relating to investment property undergoing renovation totalled €28,651 thousand (€26,747 thousand at 31 December 2017), of which €23,434 thousand concerned the Louvre Saint-Honoré, Emile Zola and Iéna property.

XI - 2) Off-balance sheet commitments related to financing

Standard mortgages

(in thousands of euros)

Company		Pargal	Parchamps	Parhaus	
Expiry date		**16 July 2023**	**16 July 2023**	**16 July 2023**	**Total**
Registered by Deutsche Hypothekenbank	Principal	32,000	15,000	22,333	69,333
	Costs and incidentals	2,240	1,050	1,563	4,853
	Total	**34,240**	**16,050**	**23,896**	**74,186**
Registered by Natixis	Principal	32,000	15,000	22,333	69,333
	Costs and incidentals	2,240	1,050	1,563	4,853
	Total	**34,240**	**16,050**	**23,896**	**74,186**
Registered by Deka	Principal	32,000	15,000	22,333	69,333
	Costs and incidentals	2,240	1,050	1,563	4,853
	Total	**34,240**	**16,050**	**23,896**	**74,186**
Total		**102,720**	**48,150**	**71,688**	**222,558**

Undrawn confirmed lines of credit

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
2016 BNP Paribas	100,000	-	100,000	-
2015 BNP Paribas	400,000	-	400,000	-
Banque Postale	75,000	-	-	75,000
Banco Sabadell	70,000	-	70,000	-
Cadif	175,000	-	175,000	-
Total	**820,000**	**-**	**745,000**	**75,000**

XI - 3) Employee-related commitments

Two employees (including one person who is also an officer of the Company) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company.
An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

At 30 June 2018, total commitments for the payment of compensation amounted to €2,926 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006, 4 April 2008 and 27 January 2015.

No related provisions have been recorded in the financial statements.

XII - Note to the Statement of Cash Flows

(in thousands of euros)	First-half 2018	First-half 2017
Acquisitions of and improvements to investment property		
Purchase price	-	-
Transaction costs	-	-
Work	(14, 984)	(24,185)
Total	**(14,984)**	**(24,185)**
Cash and cash equivalents at end of period		
Cash at bank and in hand	53,582	27,248
Bank overdrafts	(9)	(50,890)
Total	**53,573**	**(23,642)**

Non-cash changes in bonds and bank borrowings amounted to €1,574 thousand in first-half 2018 and corresponded mainly to the deferred recognition of debt arranging fees.
The impact of deferring recognition of rent-free periods is included in "Cash flow" along with additions to and reversals of provisions for impairment of trade receivables.

XIII - Scope of Consolidation

Consolidated companies	Registration no.	Percentage (%)	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Balian(1)	313 831 455	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SAS Société Immobilière Victoria	602 039 364	100	100
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SCI Washington	432 513 299	66	66
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100

(1) *Companies consolidated for the first time in first-half 2018.*

Shareholders' pacts give the Group exclusive control over four companies that are 50%-owned.
Accordingly, all subsidiaries are controlled exclusively and fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 58.6% of the capital at 30 June 2018.
The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

4. STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 INTERIM FINANCIAL INFORMATION

PricewaterhouseCoopers Audit 63, rue de Villiers 92200 Neuilly-sur-Seine S.A.S. au capital de € 2 510 460 672 006 483 R.C.S. Nanterre	Deloitte & Associés 6 place de la Pyramide 92908 Paris-La Défense Cedex S.A. au capital de € 1 723 040 572 028 041 R.C.S. Nanterre
Commissaire aux Comptes Membre de la compagnie régionale de Versailles	Commissaire aux Comptes Membre de la compagnie régionale de Versailles

Société Foncière Lyonnaise

Société Anonyme

42, rue Washington
75008 Paris
France

Statutory Auditors' review report on the 2018 interim financial information

Six months ended 30 June 2018

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying interim consolidated financial statements of Société Foncière Lyonnaise for the six months ended 30 June 2018;

- the verification of the information contained in the interim management report.

These interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2018, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

II – Specific verification

We have also verified the information given in the interim management report on the interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the interim consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 26 July 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Lionel Lepetit	Laure Silvestre-Siaz

5. STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the interim management report on page 3 presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies for the remaining six months of the year.

Paris, 26 July 2018

Nicolas Reynaud

Chief Executive Officer

SOCIETE FONCIERE LYONNAISE

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SA au capital de 93 057 948 euros - RCS 552 040 982 Paris - Code APE 6820B - Nº TVA INTRACOM. SFL FR 54/552/040/982