2018

Financial and Legal Report

SOCIETE FONCIERE LYONNAISE

2018 FINANCIAL AND LEGAL REPORT

SOCIETE FONCIERE LYONNAISE

The French version of this Registration Document was filed with the Autorité des Marchés Financiers (AMF) on 15 March 2019, in accordance with Article 212-13 of the AMF's General Regulations. It may be used for a financial transaction provided that it is accompanied by an Information Memorandum approved by the AMF. This document was prepared by the issuer and is the responsibility of the persons who signed it.

SFL 2018
Management Report

The consolidated financial statements were approved for publication by the Board of Directors on 15 February 2019.

Annual General Meeting of 5 April 2019
Management Report for the Year Ended 31 December 2018

To the shareholders,
We have called the Annual General Meeting in accordance with the Company's Articles of Association and the French Commercial Code (*Code de commerce*) to report to shareholders on Société Foncière Lyonnaise's operations and results for the year ended 31 December 2018 as well as its future outlook, and to submit for shareholder approval the financial statements of the parent company and the Group and the other resolutions presented in this report.

The notice of meeting and all proxy documents required by law were sent or made available to shareholders within the applicable periods.

1. Business Review and Significant Events of the Year

1.1. Rental activity

The rental market remained buoyant in 2018, although volumes declined slightly due to the shortage of available properties, especially prime properties in Paris itself. In this environment, SFL signed leases on approximately 21,000 sq.m. on good terms. The main leases concerned units in the following properties:
- Washington Plaza, with leases on a total of 8,700 sq.m. signed with six tenants, some of whom already had offices in the building and wanted to expand or move to new floors.
- Cézanne Saint-Honoré, with leases signed on 5,800 sq.m., including 3,800 sq.m. of renovated space taken up by Wells Fargo and Luxottica France.
- Louvre Saint-Honoré, with leases signed on around 3,600 sq.m.

Nominal office rents for lease agreements signed in 2018 averaged €704/sq.m. with effective rents of €610/sq.m.

The physical occupancy rate for revenue-generating properties at 31 December 2018 was 97.3%, compared with 96.4% at the previous year end, and the EPRA vacancy rate stood at a record low of 1.6%.

1.2. Development operations

The development pipeline at 31 December 2018 represented roughly 16% of the total portfolio. The three main projects concern:
- The core of the Louvre Saint-Honoré building, where approximately 16,000 sq.m. of outstanding retail space are being developed over three floors.
- The office complex on avenue Emile Zola (Biome) acquired in 2017, representing some 24,000 sq.m. The building permit was obtained in May 2018 and the property is currently being prepared for redevelopment.
- The 83 Marceau building (96 avenue d'Iéna), representing approximately 9,000 sq.m. The planning appeal process has now ended and renovation work is due to begin shortly.

Capitalised work carried out in 2018 totalled €43.0 million and concerned the above three redevelopment projects, floor-by-floor renovations, 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.

1.3. Portfolio operations

There were no material real estate acquisitions or disposals during 2018.

1.4. Property portfolio value

The consolidated market value of the portfolio at 31 December 2018 was €6,570 million excluding transfer costs, an increase of 5.5% from €6,229 million at 31 December 2017. The further growth in appraisal values mainly reflected the value added to properties in the process of being redeveloped as the work progressed and the higher rents obtained across the portfolio.

The average EPRA topped-up net initial yield (NIY) stood at 3.2% at 31 December 2018, stable year on year.

Substantially all of the portfolio consists of prime office properties (78.1% of the total), retail units and a hotel (21%). Residential units represent just 0.9% of the total and are located in a mixed-use building primarily made over to retail space.

2. Results

2.1. Consolidated results

2.1.1 Consolidated profit for the year

Strong operating profit and higher EPRA earnings

Consolidated rental income in 2018 amounted to €193.5 million, compared with €195.8 million in 2017. The modest €2.3 million decline (-1.2%) was due to a change in portfolio. Like-for-like growth offset most of the impact of selling the IN/OUT property in September 2017.

- On a like-for-like basis (excluding all changes in the portfolio affecting year-on-year comparisons), rental income was €8.7 million higher, representing a 5.0% increase attributable to new leases signed in 2017 and 2018, mainly for units in the Washington Plaza, Cézanne Saint-Honoré, 103 Grenelle and Galerie des Champs Elysées properties.
- Rental income from spaces being redeveloped declined by €1.4 million over the year, mainly reflecting the departure of tenants from the 83 Marceau building which is undergoing renovation.

– The sale of the In/Out building on 29 September 2017 led to a €9.7 million decrease in rental income compared with 2017.
– Lastly, lease termination penalties received from tenants added a net €0.7 million to rental income in 2018 compared with €0.5 million in 2017.

Operating profit before disposal gains and losses and fair value adjustments to investment property amounted to €162.1 million in 2018 versus €164.1 million in 2017.

The portfolio's appraisal value grew by 5.5% over the year on a like-for-like basis. The increase led to the recognition of positive fair value adjustments to investment property of €289.0 million in 2018 (versus €635.1 million in 2017).

Net finance costs amounted to €52.0 million in 2018 versus €40.7 million the previous year. The increase was due to non-recurring costs, mainly the €17.2 million balancing payment made in respect of the €300 million worth of bonds bought back in September 2018. Recurring finance costs, which came out at €30.6 million, were down by a significant €10.7 million, reflecting a further improvement in average refinancing costs and a reduction in average debt.

After taking into account these key items, the Group reported attributable net profit for the year of €351.6 million versus €685.3 million in 2017.

Excluding the impact of disposals, changes in fair value of investment property and financial instruments and the related tax effect, EPRA earnings amounted to €106.7 million in 2018 versus €102.4 million the year before (an increase of 4.1%).

2.1.2. Financing

Conservative LTV of 24% and historically low average borrowing costs

Net debt at 31 December 2018 amounted to €1,688 million (compared with €1,631 million at 31 December 2017), representing a loan-to-value ratio of 24.1%. At 31 December 2018, the average cost of debt after hedging was 1.5% and the average maturity was 4.6 years. At the same date, the interest coverage ratio stood at 5.1x.

Several significant financial transactions were completed in 2018, as part of SFL's strategy of actively managing its debt. Together, these transactions led to a sharp reduction in future average borrowing costs while also extending the average maturity of the Company's debt.

During the year, SFL issued €500 million worth of 7-year, 1.50% bonds due 29 May 2025 and obtained two new 5-year revolving lines of credit for a total of €250 million.

In addition, a €300 million negotiable European commercial paper (NEU-CP) programme was set up, with issuance under the programme amounting to €263 million at 31 December 2018.

In parallel, an offer was launched to buy back two bond issues due in November 2021 and November 2022 respectively. The offer closed on 26 September 2018. Bonds representing a total nominal amount of €300 million were tendered to the offer, spread equally between the two issues.

At 31 December 2018, SFL had €920 million in undrawn back-up lines of credit that are available to finance investment opportunities and cover the Group's liquidity risk.

2.1.3. Triple net asset value

EPRA NNNAV at 31 December 2018 stood at €4,017 million or €86.3 per share, an increase of 7.7% compared with €80.1 per share at 31 December 2017.

2.2. Company results

2.2.1. Parent company results and financial position

The Company reported revenue of €107.7 million in 2018 compared with €101.4 million in 2017, an increase of €6.3 million (up 6.2%). Most of the increase concerned the #cloud.paris property and reflected the impact on rental income of a tenant's rent-free period coming to an end on 31 December 2017.

Operating expenses were reduced by €9.9 million over the year. Part of the reduction was due to lower depreciation expense following the sale of the In/Out building in September 2017. In addition, the 2017 amount included the costs incurred for the purchase of the Biome building (112 Zola).

Operating profit rose sharply to €38.9 million in 2018.

Net financial expense came to €12.4 million versus €1.6 million in 2017. The increase was due to the €17.2 million balancing payment made in respect of the €300 million worth of bonds bought back in 2018. Excluding this payment, net financial expense fell by €6.3 million, primarily as a result of lower borrowing costs.

After taking into account the above items, the Company reported a profit before tax and other income and expenses of €26.5 million in 2018, versus €22.7 million in 2017, representing an increase of €3.7 million or 16.4%.

Other income and expenses represented a net expense of €4.3 million in 2018 versus net income of €251.9 million in 2017, which included the substantial capital gain recorded on the September 2017 disposal of the In/Out property.

Employee profit-sharing for the year was also significantly lower due to this capital gain.

The Company ended the year with net profit of €22.2 million compared with €272.4 million in 2017.

Total assets were stable over the year, amounting to €2,522 million at 31 December 2018.

Five years' financial information for the parent company is provided in Appendix 13.3 to this Management Report, as required by Article R.225-102 of the French Commercial Code (page 66).

DISCLOSURES CONCERNING SUPPLIER AND CUSTOMER PAYMENT TERMS PROVIDED IN ACCORDANCE WITH ARTICLE D.441-4 OF THE FRENCH COMMERCIAL CODE

Outstanding supplier and customer invoices due as at 31 December 2018 (table prepared in application of Article D.441-4 of the French Commercial Code)

	Outstanding ***supplier invoices*** *due as at 31 December 2018*						Outstanding ***customer invoices*** *due as at 31 December 2018*					
	0 day (indicative)	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total (at least 1 day past due)	0 day (indicative)	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total (at least 1 day past due)
(A) Period past due												
Number of invoices concerned	54	–	–	–	–	125	0	–	–	–	–	111
Total amount past due, including VAT	2,341,955	1,424,318	276,909	30,431	541,735	2,273,393	0	128,771	17,789	989,207	313,791	1,449,557
% of total purchases (including VAT) for the year	3.16%	1.92%	0.37%	0.04%	0.73%	3.06%	–	–	–	–	–	–
% of total sales (including VAT) for the year	–	–	–	–	–	–	0.00%	0.10%	0.01%	0.77%	0.24%	1.13%
(B) Invoices excluded from (A) that have been disputed by SFL or the customer or have not been recorded in the accounts												
Number of invoices excluded	–	–	–	–	–	–	–	32,097	0	19,916	886,634	938,648
Total amount excluded, including VAT	–	–	–	–	–	–	–	–	–	–	–	–
(C) Reference payment terms (contractual or statutory – Article L.441-6 or Article L.443-1 of the French Commercial Code)												
Payment terms used to calculate the number of days past due	Statutory terms						Contractual terms					

2.2.2. Appropriation of net profit

The Company reported net profit for the year, after tax and provision charges, of €22,245,050.70.

Profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Net profit for the year ended 31 December 2018	€22,245,050.70
Retained earnings brought forward from the prior year	€166,350,667.25
Profit available for distribution	€188,595,717.95

We recommend:
– After noting the existence of profit available for distribution, paying to shareholders a dividend per share of €2.65, representing a total payout of €123,301,781.10 based on the 46,528,974 shares outstanding at 31 December 2018;
– Deducting the recommended dividend from the following accounts:
  • €22,245,050.70 from net profit for the year.
  • €101,056,730.40 from retained earnings, after which this account will have a balance of €65,293,936.85.

The shares will trade ex-dividend from 23 April 2019 and the dividend will be paid in cash from 25 April 2019.

Dividends not payable on shares held in treasury stock on the dividend payment date and any dividends waived by shareholders will be credited to retained earnings. The total dividend will be adjusted accordingly.

If approved, the dividend of €2.65 per share (based on 46,528,974 shares) will be paid out of profits that are exempt from corporate income tax under the tax rules applicable to French real estate investment trusts (“SIICs”). Consequently, for personal income tax purposes, the total dividend will qualify as securities revenue as defined in Article 158-3, 1° of the French Tax Code. In accordance with Article 158-3.3 *bis* of the Code, shareholders will not be entitled to the 40% tax relief provided for in Article 158-3, 2° of the Code, even if they have made a general election to pay tax at the graduated rate.

The dividend will be subject to the flat tax (*prélèvement forfaitaire non libératoire*) provided for in Article 117 *quater* of the French Tax Code *(Code Général des Impôts)* and the withholding tax (*retenue à la source*) provided for in Article 119 *bis* of the Code, as follows:

In the case of individual shareholders who are resident in France for tax purposes and whose SFL shares are not held in a “PEA” personal equity plan, the dividend will be subject to a flat tax of 12.8% in accordance with Article 117 *quater* of the French Tax Code.

Dividends will be subject to withholding tax at the rate of 12.8% if they are paid to individual shareholders who are not resident in France for tax purposes, 15% if they are paid to a French OPCVM, OPCI, SICAF or other equivalent French or foreign investment fund, 75% if they are paid outside France in an “uncooperative” country or jurisdiction within the meaning of Article 238A of the Code, or 30% in other cases (Articles 119 *bis* and 187 of the Code).

However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder were to own, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder were exempt from French corporate income tax or an equivalent foreign tax, SFL would have to pay a 20% flat tax on the dividends paid to the shareholder concerned out of profits generated by its SIIC activities. To avoid the 20% tax, the non-resident shareholder would have to provide a certificate stating that the dividends paid out of the "SIIC" profits would be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime (Article 208 C II *ter* of the French Tax Code).

2.2.3. Non-deductible expenses

The SFL parent company financial statements do not include any expenses that cannot be deducted for tax purposes (disclosure made in accordance with Articles 223 *quater* and 223 *quinquies* of the French Tax Code).

The 2018 accounting documents and information on the Company's business, earnings and financial position provided for in Article L.2312-25 of the French Labour Code (*Code du travail)* have duly been given to the Company's Economic and Social Committee.

2.2.4. Related party agreements

No related party agreements governed by Articles L.225-38 *et seq.* of the French Commercial Code were entered into in 2018.

2.3. Review of the Group's main subsidiaries

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 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

Shareholders' pacts give the Group exclusive control over four companies that are 50%-owned.

Accordingly, all subsidiaries are controlled exclusively and fully consolidated.

The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SOCIMI, SA, which owned 81.7% of the capital at 31 December 2018.

INFORMATION ABOUT SUBSIDIARIES AND AFFILIATES AT 31 DECEMBER 2018 (IN €)

Company	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Guarantees provided by SFL	Last published net revenue	Last published profit/(loss)	Dividends received by SFL during the year	Revaluations during the year
				Cost	Net						
A – Investments with a gross value in excess of 1% of SFL's capital:											
Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934,400	114,273,279	100%	291,846,722	291,846,722	–	–	16,213,406	10,694,404	–	–
SCI 103 Grenelle	150	9,224,552	100%	1,168,570	1,168,570	156,177,177	–	9,694,279	5,654,218	–	–
SCI Washington	94,872,000	20,178,362	66%	79,788,878	79,788,878	101,486,392	–	25,055,620	14,427,913	–	–
SAS Société Immobilière Victoria	243,856	90,782,697	100%	86,761,320	86,761,320	5,200,000	–	–	(76,132)	–	–
2. Affiliates (10-50%-owned)											
SAS Parholding	15,000,000	9,646,912	50%	18,400,300	18,400,300	–	–	–	6,780,438	3,753,128	–
B - Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)				380,493	380,493	207,546,932	–	–	1,397,154	624,243	–
Affiliates (less than 50%-owned)				–	–	–	–	–	–	–	–

3. Outlook

3.1. Subsequent events

Significant events since 31 December 2018

none

3.2. Outlook

Forecast developments and outlook

SFL has a portfolio of prime properties that are almost fully let and boasts a robust financial structure. The Company can leverage these strengths to take up investment opportunities in its market, in line with its strategy of maintaining a portfolio of Paris office properties offering a high reversionary potential once they have been redeveloped.

4. Risk factors

Investors are invited to consider all of the disclosures in this Registration Document, including the following discussion of the Company's specific risk exposures, before deciding to purchase the Company's shares on the primary or secondary market.

The Company has reviewed the specific risk exposures that could have a material adverse effect on the Company, its business, financial position, results, outlook or ability to fulfil its objectives.

At the date of this Registration Document, the Company is not aware of any material risk exposures that are not disclosed in this section.

Investors should nevertheless bear in mind that what follows does not purport to be a comprehensive description of all the risks and uncertainties facing the Company. For one thing, the Company is exposed to general risks that are common to all businesses and not specific to SFL. Added to that, other unknown risks or uncertainties, or risks or uncertainties whose occurrence is not considered, at the date of this document, as likely to have a material adverse effect on the Company, its business, financial position, results or outlook, may exist or could become significant factors that may have a material adverse effect on the Company, its business, financial position, results or outlook.

The risk factors are presented in different categories. Within each category, risks are presented in declining order of importance based on the probability of occurrence (high or moderate) and the estimated magnitude of their adverse effect, as assessed by the Company at the date of this Registration Document.

The occurrence of new internal or external facts may lead to changes in the order of importance in the future.

A. RISKS THAT ARE SPECIFIC TO THE PROPERTY SECTOR	
Risk factors	**Risk prevention/mitigation measures**
High risk	
1) Property cycle risks	
– We are exposed to the risk of a cyclical reversal of the rental and/or investment market triggered by a downturn in the domestic and global economic and financial situation. Adverse effects: – Lower rental income – Fall in portfolio values – Lost opportunities to purchase and sell properties – Decline in operating profit – Erosion of NAV	– The risk of a cyclical market reversal is measured and taken into account by performing sensitivity tests to determine the impact of a 25 bps increase/decrease in exit yields and discount rates. The tests show that a combined increase or decrease in these two rates would have an impact of less than 10% on the overall value of our portfolio. – A property market monitoring system has been set up. – The information needed to evaluate this risk is provided in Note IV-5 to the consolidated financial statements (pages 139 and 140).
2) Asset valuation risks	
– As a direct result of property market trends, the Company is exposed to the risk of a fall in value of its assets that would directly affect consolidated profit and NAV. Adverse effects: – Adverse effect on the consolidated financial statements – Adverse effect on the profit and loss account – Adverse effect on NAV	– All of the Group's property assets are valued by qualified independent valuers. – Valuations are performed in accordance with the *Charte d'Expertise en Evaluation Immobilière* (property valuation charter) and comply with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (the RICS) standards. – Valuations performed by two experts (Cushman & Wakefield: 55%, Jones Lang LaSalle: 45%). (See also Note IV-5 to the consolidated financial statements (Investment property), page 139.
3) Risk of a credit crunch	
We are exposed to the risk that a faster-than-expected increase in interest rates could destabilise the financial markets, driving up borrowing costs and potentially making it difficult to access bank financing. Adverse effects: – Restricted ability to purchase new assets – Restricted ability to redevelop assets – Difficulties in refinancing existing debt – Increased finance costs – Erosion of NAV	– Regular cash forecasts are prepared. – Outstanding debt and available borrowing capacity under our lines of credit are monitored. – Our credit ratings are monitored. – Funds can be raised by selling assets, although this alternative source of financing is also subject to market risks (price risk, market liquidity risk). In addition, asset sales carried out when prices are depressed and amid a shortage of potential buyers, or before their full reversionary potential has been achieved, would result in opportunity losses.
Moderate risk	
4) Risks associated with a highly competitive environment	
We are exposed to competition from investors with considerable equity capital, such as insurers, SCPI and OCPI property funds and sovereign wealth funds, and from other investors with fairly moderate levels of debt and gearing. Adverse effects: – Inability to acquire assets – Lower rental income – Decline in operating profit – Erosion of NAV	– Our business is strategically focused on a prime market segment. – We have established a high quality sector monitoring system. – We have covenant-free financing capacity.

B. SECTOR-SPECIFIC OPERATIONAL RISKS	
Risk factors	**Risk prevention/mitigation measures**
High risk	
5) Tenant insolvency risk, correlated to economic growth and levels of inflation and consumer spending	
We are exposed to the risk of tenant default and rent arrears, non-renewal of leases and lease renewals on less favourable terms. Adverse effects: – Increased EPRA vacancy rate – Lower rental income – Decline in operating profit	– Tenant diversification: at 31 December 2018, our top ten tenants accounted for around 38.3% of total rental income and the top five for roughly 24.2%. – The tenant base comprises companies operating in a wide variety of sectors such as financial services, real estate, consulting, insurance, fashion and luxury goods, and also includes law firms and international organisations. – New tenants are subject to credit checks before the lease is signed. – Half-yearly financial health checks are performed for tenants with rent arrears at the period-end. – Lease expiry dates and EPRA vacancy rates are closely tracked. – A system is in place to enable us to anticipate lease renewals (e.g., to approach tenants with a view to renegotiating the rent or schedule refurbishment work.). – Rent arrears are closely monitored. – See also Note V-3 to the consolidated financial statements (Trade and other receivables), page 142.
6) Risk of asset obsolescence and impairment	
We are exposed to risks related to the sensitivity of assets to changes in environmental and other regulatory standards and to CSR issues. Adverse effects: – Loss of attractiveness to tenants – Higher insurance premiums, operating costs and construction costs – Erosion of NAV – Erosion of SFL's image and reputation	– Close attention is paid to planning asset renovation and redevelopment work, and enhancing assets through the addition of new services. – CSR issues are deeply embedded in the Company's property strategy: • The CSR Committee meets twice a year to define the broad strategic goals for each CSR issue. • Procedures are performed to ensure that the Company's CSR performance reflects best industry practice and is recognised by the property valuers. • SFL also complies with the recommendations issued by EPRA for its CSR reporting. • Tenant satisfaction surveys have been conducted among users of the Company's properties in each of the last two years. • 81% of leases include environmental clauses. (see Non-Financial Information Statement – NFIS), page 31 *et seq*.).

(continued on page 14)

<table>
<tr><th colspan="2">B. SECTOR-SPECIFIC OPERATIONAL RISKS (continued from page 13)</th></tr>
<tr><th>Risk factors</th><th>Risk prevention/mitigation measures</th></tr>
<tr><td colspan="2">Moderate risk</td></tr>
<tr><td colspan="2">7) Risks associated with the loss of key personnel</td></tr>
<tr><td>We are exposed to the risk of losing mission-critical skills if top management, Management Committee members and/or key executives leave the Company.

<u>Adverse effects</u>:
– Decline in profits
– Loss of investor confidence
– Erosion of SFL’s image and reputation</td><td>– Our remuneration policy is designed to retain key executives.</td></tr>
<tr><td colspan="2">8) Risks associated with subcontractors and other service providers</td></tr>
<tr><td>We make extensive use of subcontractors and other service providers:
– For major redevelopment and renovation projects, and
– For the day-to-day maintenance of our properties.

Our dependence on outside contractors to complete projects on time is aggravated by the fact that there are relatively few construction companies with the capacity to carry out major renovation work or property redevelopment projects in Paris.

There is a risk of contractors failing to honour their commitments or delivering sub-standard work.

<u>Adverse effects</u>:
– Delays in completing projects, budget overruns, delays in putting properties back on the rental market
– Disruption of the performance bond compliance process
– Decline in operating profit
– Erosion of SFL’s image and reputation</td><td>– Subcontractors and service providers are selected through a competitive tendering process.
– We apply a contractor diversification policy.
– The quality of contractor services is closely monitored.</td></tr>
</table>

C. LEGAL AND TAX RISKS ASSOCIATED WITH THE PROPERTY BUSINESS

Risk factors	Risk prevention/mitigation measures
High risk	
9) General regulatory compliance risks We are subject to very detailed and constantly evolving regulations, covering construction operations, commercial leases, administrative permits, safety, the environment and public health issues. Compliance costs are very high. We are exposed to civil and criminal liability risks in the event of regulatory breaches (particularly for environmental damage or public health incidents, or reckless endangerment). There is a risk of tenants failing to strictly comply with all applicable environmental and health and safety regulations. Adverse effects: – Deterioration of profits, margins, growth and development outlook – Erosion of SFL's image and reputation	– We have the legal and technical skill-sets needed to manage these risks: • A specialised Legal Department is responsible for monitoring regulatory developments and overseeing compliance with the various regulations applicable to our business. • We also use the services of external advisors and consultants where necessary. • Internal procedures have been set up to raise the level of accountability of the various people involved. • A technical unit has been set up with specific responsibility for environmental, health and safety compliance.
10) Risks associated with government-related procedures For most large-scale renovation projects, building and/or other permits have to be obtained from the relevant municipal authorities, sometimes including commercial property authorisations from the CDAC or improvement permits from local commissions that oversee compliance with health and safety regulations in buildings open to the public. There is a risk of significant delays in obtaining these permits and other authorisations, or of plans having to be modified before the permit will be granted. Once the permits are obtained, there is still a risk that third parties will raise objections. This may further delay the project and, in some cases, it may be necessary to adjust the plans. Adverse effects: – Project delays, budget overruns, abandoned projects – Impossibility of using certain assets – Erosion of the Company's business performance, results and financial position	– We systematically use the services of skilled professionals to prepare our projects (architects, engineering consultants, surveyors and marketability consultants). – We submit draft permit applications to the authorities to check that everything is in order, before filing them officially and before starting work.
11) Risks of neighbour complaints Most of our properties are located in densely populated urban areas and our major redevelopment projects give rise to the risk of disamenities (noise and/or vibrations). Neighbour complaints can lead to significant compensation claims or even injunctions to stop work. Adverse effects: – Project delays, budget overruns, abandoned projects – Erosion of the Company's results and financial position	– When demolition work or work on the fabric of a building is planned, we systematically arrange for a court-appointed expert to prepare a report on the condition of neighbouring properties and on existing disamenities before the work begins. – All contractors are required to take measures to limit disamenities, mainly by keeping public spaces clean and managing traffic, dust, noise and vibrations. – Noise pollution and other disamenities are closely monitored. – All contractors are now required to meet the high or very high performance criteria under France's HQE standards for maintaining "green" worksites with a minimal environmental footprint.
12) Risks associated with SIIC status We are exposed to the risk of losing the benefit of the SIIC tax regime if the eligibility rules are breached.	The conditions of eligibility for the SIIC regime are regularly monitored, especially changes in the tax authorities' position and legal precedent (dividend obligations, obligations concerning the level of control exercised by the majority shareholder, etc.)

D. FINANCIAL RISKS ASSOCIATED WITH THE PROPERTY BUSINESS	
Risk factors	**Risk prevention/mitigation measures**
High risk	
13) Liquidity risk	
We are exposed to the risk of being unable to raise significant funds to finance capital expenditure and property purchases, and to replace debt at maturity. Adverse effects: – Deterioration of our ability to raise funds and consequently to access the liquidity needed to conduct the business – Deterioration of the Company's cash position and profits	– The liquidity represented by backup facilities is sufficient to cover the Group's repayment obligations regarding its lines of credit up until November 2021. – At 31 December 2018, SFL had access to confirmed undrawn lines of credit representing €920 million compared with €760 million at 31 December 2017. – We apply a policy of diversifying our sources of debt. – See also, in Note VI-1 to the consolidated financial statements (Borrowings and other interest-bearing debt): • Analysis of borrowings by maturity (page 145); • Debt covenants and acceleration clauses (page 145).
14) Counterparty risk	
The banks that provide lines of credit and/or hedging instruments may fail to honour their commitments. Adverse effects: – Loss of the benefit of hedges – Deterioration of the Company's financial position and profits	– All lines of credit and hedging instruments are arranged with leading banks. – Our minimal cash reserves are generally used to repay borrowings under the revolving lines of credit. – The rental deposits obtained from tenants offer protection against the risk of rent default. – See also Note VI-4 to the consolidated financial statements (page 147).
15) Interest rate risk	
We are exposed to the risk of higher interest rates, and the consequential risk of being unable to raise the necessary financial resources to meet our working capital and investment needs. Adverse effects: – Higher interest charges – Increased finance costs	– 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. – This allows us to efficiently quantify and analyse the risks associated with interest rate fluctuations. – The information needed to evaluate this risk is provided in Note VI-4 to the consolidated financial statements (page 147).

16) Information about the financial risks linked to the effects of climate change and the measures taken by the Company to reduce these risks through a low-carbon strategy applied across all business units is provided in the Non-Financial Information Statement (NFIS), page 31 *et seq*.

17) Claims and litigation

No governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) may have or have had significant effects on the Company's financial position or profitability during the last 12 months.

5. Insurance

The insurance programmes cover (i) the property portfolio and (ii) corporate risks.

5.1. Property insurance programme

Property damage insurance

This Group-level policy covers all fully-owned and co-owned property assets of the Company and its subsidiaries.

It covers accidental damage to the properties on an all-risks basis with a limited number of named exclusions, as well as all resulting expenses and losses.

For co-owned buildings that are managed by a third-party manager, the policy includes "manager failure" cover that kicks in when the cover taken out by the manager is inadequate or no cover has been purchased.

We take care to realign our insurance programmes whenever necessary due to changes in our own risks and those arising from our business environment.

The insurance strategy takes into account the estimated time required to rebuild and repair the properties after a major incident, considering their location, the complexity of the work that would be involved, the size of the site, unavoidable administrative time and any third party claims. Our properties are all located on prime sites and high quality insurance cover is essential.

For all properties in the portfolio, the insured value has been capped at €350 million per claim since 1 January 2017, including loss of up to four years' rental income. This cap was set following a large-scale project to accurately estimate the rebuilding cost of the properties in the portfolio based on costings prepared by a firm of consultants, Galtier. The project's results have helped us to understand and manage our risks and the basis for determining premiums by reference to the cost of rebuilding each property and the rental income that would be lost.

The policy also covers the cost of repairing damage to new work arising during renovations to the insured properties, up to a maximum of €7.5 million. The aim of this extension is to cover under a single contract both damage to the original property and damage to work that will become an integral part of the property once it is completed. It is designed to ensure that we can fulfil our commitments in respect of work not covered by a comprehensive site insurance policy.

5.2. Corporate insurance

A) All-risks Office

The All-risks Office policy covers the furniture and equipment used at the Group's headquarters at 42 rue Washington and the Square Édouard VII conference centre in the 9th *arrondissement*.

Consequential losses and expenses are also covered, as well as the additional operating or other costs that would have to be incurred to enable the Company to continue operating its business following events in which insured items are damaged.

B) IT Risks/Cyber Risks

Until 31 December 2018, the IT Risks policy covered all the costs that would be incurred to restore lost data as well as any supplementary IT costs that would be incurred as a result of malicious damage – including computer viruses – or a loss of data due to error, an accident or a natural disaster.

After analysing the risks, this initial IT Risks policy was replaced by a Cyber Risks policy. The new policy, which came into effect on 1 January 2019, covers the same risks as previously and also offers extended coverage. It insures the the financial consequences, up to €3 million per claim and per year, of the following:
– Losses and expenses incurred by SFL following a cyber attack or threatened attack on its information systems
– Any complaint resulting from a cyber attack on the information system of the Company or a third party, or the communication of libellous information and/or information that breaches third party rights.

Damage to computer hardware is covered by the All-risks Office policy described above.

C) General Liability

All of the Group's companies and operations, including both property management and trading, are covered by a single liability policy.

The policy covers:
– Third-party liability during operations and works, capped at €20 million per claim (combined single limit), including €15 million for direct and consequential damage. The total includes sudden and accidental pollution cover of €1.5 million per claim, and "inexcusable fault" cover of €2.5 million per insurance year. This latter cover has been extended to include losses resulting from the Constitutional Council's decision of 18 June 2010, which broadened the scope of the definition of workplace accidents due to an "inexcusable fault" by the employer.
– Professional liability insurance for the Group, up to a maximum of €3 million (€5 million as from 1 January 2019) per claim and per underwriting year (combined single limit), of which €1 million corresponds to professional liability insurance for the property management and trading activities carried out by Locaparis.

Liability cover for buildings undergoing major redevelopment includes the comprehensive site insurance policies purchased for each project and cover for consequential losses incurred by third parties.

D) Directors' and Officers' Liability

This policy covers directors and officers, including *de facto* managers of the Company, against personal liability claims.

5.3. Construction insurance

The following insurance cover is purchased for all of our property redevelopment projects:
– Structural damage and developer insurance
– Contractors all-risks insurance
– Project sponsor liability insurance, which is in addition to the cover provided by the general liability policy described in point C) above.

6. Appointment of the Statutory Auditors

The appointments of PricewaterhouseCoopers Audit as Statutory Auditor and Anik Chaumartin as Substitute Auditor expire at the close of the Annual General Meeting on 5 April 2019.

Shareholders are invited to renew the appointment of PricewaterhouseCoopers Audit as Statutory Auditor for a six-year period expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2024.

PricewaterhouseCoopers has served, uninterrupted, as Statutory Auditor since the appointment on June 20, 1995 of ACL Audit (later known as Coopers and Lybrand Audit), which was merged into PricewaterhouseCoopers in 2013. Accordingly, it is in the 24th year of its engagement and, in light of the transition methods set out in the European audit reform, may serve for a further six-year term.

We recommend that Anik Chaumartin's appointment as Substitute Auditor should not be renewed. Article 23 of the Company's Articles of Association, as amended by the Annual General Meeting of 28 April 2017, and Article L.823-1, I paragraph 2 of the French Commercial Code state that the appointment of a Substitute Auditor is required only if the Statutory Auditor is an individual or a sole proprietorship.

As PricewaterhouseCoopers Audit is neither an individual nor a sole proprietorship, the Company no longer has any obligation to appoint a substitute.

7. Internal Control and Risk Management Procedures Implemented by the Company for the Preparation and Processing of Accounting and Financial Information (Article L.225-100-1.5° of the French Commercial Code)

This report describes the procedures set up by the Company to prevent and control risks arising in the course of its business, including the measures taken to guarantee (i) the reliability of accounting and financial information, (ii) compliance with all applicable laws and regulations and (iii) the security of reporting or management processes.

The Company applies all the recommendations and key processes contained in the AMF's reference framework for risk management and internal control dated 22 July 2010 and follows the guidance issued by French business organisations (MEDEF, AFEP and ANSA) and accounting authorities (CNCC).

The pillars of the internal control system are:
- A standard set of procedures
- Accountable operations, finance and audit teams
- Collective decision-making processes
- Segregation of duties between the authorisation of expenditure and the related payments.

Company organisation

The Company's internal organisation is built around three areas of expertise:
- *Operations*, encompassing the property, asset management, technical and marketing disciplines
- *Finance,* including accounting, financing, budget control and investor relations
- *Support/Resources,* spanning legal affairs, human resources, information systems, internal control and audit. The unit was beefed up last year by the creation of a fully-fledged Legal Department.

This organisation is supported by clear definitions of individual roles and responsibilities and procedure reviews to clarify who does what and, in this way, more effectively manage risks.

Upgraded governance rules

The internal audit function has been outsourced to KPMG since 2012 by decision of the Board of Directors based on the recommendation of the Audit Committee.

Internal audits covering specialist areas may be performed from time to time with the support of experts other than KPMG.

The internal audits are performed according to the annual audit programme drawn up by the Audit Committee with input from the Company's management. They are overseen by the Chief Resources Officer, whose responsibilities include internal control and internal audit.

This report presents:
- The internal control system, the people and structures responsible for its implementation, and the process for preparing financial and accounting information for shareholders.
- Internal control procedures, with details of their scope of application and the risks covered, including the specific risks inherent in the Company's business.
- An overview of the Audit Committee's work in 2018 and a comparison with best practices.

See also section 4 "Risk Factors", page 11 *et seq*.

7.1. General presentation of internal control

Managers have front-line responsibility for identifying risks and implementing appropriate control measures.

Senior management ensures that the necessary organisation is in place to permit effective control and oversees managers' activities in this area with support from the Chief Resources Officer who is responsible for internal control. Executive management reports to the Audit Committee on the supervision of internal control.

7.1.1 Overall organisation

Internal control procedures over business processes are communicated to all employees concerned and updated to reflect process changes.

It was not necessary to set up specific controls to obtain assurance concerning the quality of internal control within the various consolidated entities because all of these entities apply the same procedures and the accounting teams responsible for producing their accounts rotate periodically.

To limit the risks of fraud, payables accounting and payment functions are strictly segregated. The Treasury Department is independent from the Accounting Department and reports directly to the Chief Financial Officer.

To improve the reliability and quality of accounting information, a separate Budget Control Department analyses management and cost accounting data and performs reconciliations between these data and the statutory accounts.

Management and cost accounting data are produced separately for each property in the portfolio. These data are aggregated and reconciled to the statutory accounting data and consolidation packages produced by the entities concerned, providing a critical means of control.

SFL is fully consolidated in the consolidated financial statements of its main shareholder and is required to produce specific monthly reporting packages for this purpose. In addition to incorporating new and frequently complementary data processing and control practices, the monthly reporting process also helps management to monitor the business more closely thanks to the increased availability of data:
- Basic reporting schedules are prepared by cash generating units corresponding to each individual building.
- The monthly reporting schedules are reconciled to the budget, allowing management to swiftly identify variances or any inconsistencies in processing the raw data.

7.1.2 Delegations of authority

Signing authority is granted only for payments, with dual signatures required in all cases. A strict segregation of duties is maintained between the authorisation of expenditure and the related payments.

The list of authorised signatories is checked periodically and updated to take account of organisational changes.

7.1.3. Information systems governance

The Information Systems Department is responsible for the routine and evolutive maintenance of the Company's information systems in line with data security standards. These standards cover:
– System uptime rates
– Data classification
– Data backups and protection
– Incident management
– Protection against computer viruses and security breaches.

The current information system is built around ESTIA software, which includes property management and statutory accounting applications, and various asset management, technical building management, human resources and financial management solutions.

A 3-year IT masterplan (2018-2020) is being implemented to address the following issues in a phased approach:
– Replacement of ESTIA, which is out-of-date.
– Modernisation of two mission-critical applications, (i) financial reporting and (ii) operations and building management.

In addition to implementing the masterplan, in 2018 the Information Systems Department deployed procedures to comply with the General Data Protection Regulation (GDPR) and migrated all terminals to Microsoft Office 365.

In 2019, the department will update the Disaster Recovery Plan and perform security checks of all laptops, tablets and smartphones, and spearhead the routine use of Microsoft Skype, OneDrive and Teams.

7.1.4 Internal code of ethics

All Group employees are required to comply with the SFL Code of Ethics, which applies in particular to dealings with third parties. All staff members have also been specifically notified of the rules concerning insider trading and the use of inside information. These rules have been published on the Company's intranet.

7.2. Internal control procedures

7.2.1 Procedures for identifying and managing business-specific risks

Existence and valuation controls over the properties that constitute the bulk of the Group's assets are performed by independent valuers during their interim and annual portfolio valuations.

The Accounts Department pays particular attention to ensuring the completeness of accounting entries concerning renovation, repair and other work undertaken by Group companies.

To this end, a dedicated accounting team has been given specific responsibility for managing works accounts for all companies, providing the Technical Department with a single point of contact and guaranteeing consistent treatment of all transactions.

Procedures are performed at several levels to ensure that internal control objectives of completeness and valuation are met for liabilities:
– Tenant risks, which are managed by the Receivables Accounting unit, are reviewed regularly by the Legal Department and are also subject to second-tier controls.
– The risk of legal disputes with the Company's partners is closely monitored, with technical guidance from the Legal Department.
– The Treasury Department participates actively in collecting information about off-balance sheet commitments related to hedging and debt instruments, as well as commitments to suppliers, and ensuring that the information is complete.

7.2.2 Identifiable risks

The Company's main identifiable risks concern:
– Loss of or damage to assets (managed through building maintenance, technical monitoring of refurbishment projects, property surveys, etc.).
– Breaches of environmental regulations.
– Rent defaults and arrears, and failure to take into account the full impact of vacancy rates.
– Fraud.

The risks specific to the Company and the industry are described in detail in the section on page 12 *et seq*.

7.2.3 Insurance

The Group's insurance policies include both property cover and liability cover for SFL and its subsidiaries, based on the nature of their businesses and the underlying risks. Buildings are insured on an all-risks basis with named exclusions. The policies cover rebuilding or replacement cost as well as loss of rental income for 48 months for buildings in use, with an overall cap of €350 million. Losses incurred during repair and maintenance work not insured under a "contractors all risks" policy are also covered up to a maximum of €7.5 million.

Details of the Group's various insurance policies are provided in the section on page 16 *et seq*.

7.2.4 Controls over the quality of accounting and financial information

As a company listed on Euronext Paris, SFL has to take a more rigorous, highly disciplined approach to preparing financial information.

With a very high capital-per-employee ratio, we use the services of external experts to stay informed of technical developments in the areas of accounting, finance and tax. As well as providing regular technical updates, these experts also give formal advice on the choice of accounting options that have a material impact on the financial statements.

We participate in work groups set up by the industry federation and other organisations representing the property sector, providing an opportunity to exchange information about best practices and industry standards.

In July 2011, the Company joined Institut Français des Administrateurs, the French federation of company directors.

7.2.5 Book-keeping procedures

The accounts of all Group companies are kept on the same internal accounting system, which is integrated in the management information system.

The Accounting Department, which is part of the Finance Department, is organised around three units, Payables Accounting, Receivables Accounting and Corporate. It monitors regulatory changes and their application by the Group, based on the advice of external advisors, where appropriate.

The corporate accountants each keep the accounts of one or several consolidated companies. Their work is overseen by their respective managers who also replace corporate accountants if necessary.

7.2.6 Procedure for the preparation of the consolidated financial statements

The consolidated financial statements are produced using consolidation software that represents a market standard, guaranteeing its reliability and maintainability. The consolidated financial statements are prepared in accordance with the IFRSs adopted by the European Union.

A full set of monthly consolidated accounts is produced and submitted to the Company's majority shareholder. All departments are concerned and controls are performed over the centralised data to ensure that the reported statutory and management accounting data have been prepared on a consistent basis. These full monthly accounts are not audited or published.

The half-yearly and annual financial statements represent the basis for an extensive financial communication process and must be produced within a very short timeframe to comply with market standards. The publication dates are announced to the market in advance and must be adhered to.

The Audit Committee meets twice a year to review with the external auditors the financial statements and any significant transactions for the period. The Committee also reviews the external auditors' work programme and holds meetings with them to discuss the post-audit reports prepared after their audits of the interim and annual financial statements, setting out their observations and recommendations.

7.2.7 Budget and business plan procedures

The Budget Control Department produces a rolling five-year business plan, the first year of which corresponds to the budget. It collects, aggregates and consolidates the data reported by each operating unit, and analyses the consolidated data.

Revenue, expense and capex projections are presented separately for each building, and rental income projections are analysed on a lease-by-lease basis.

The business plan includes:
- Five-year profit and loss account projections.
- Projected changes in consolidated debt.
- Key financial ratios such as EBITDA, EPRA earnings, loan-to-value (LTV) and NAV.

The budget and the business plan are submitted to the Board of Directors for approval.

As well as playing an essential role as a roadmap for the business, they provide a basis for checking and analysing the monthly consolidated financial statements in order to improve the reliability of the accounting and financial information submitted to the majority shareholder and released to the market.

In conclusion, the Group's control procedures over the production of accounting and financial information, and its internal control procedures covering the preparation of the consolidated financial statements are in line with the needs of a top-tier listed company.

7.2.8 Controls over liquidity risks

Our liquidity management policy consists of maintaining long maturities of debt, in order to be in a position to efficiently roll over or replace borrowings without having to contend with market distortions which, while rare, nevertheless exist. In addition, confirmed undrawn lines of credit are maintained for amounts at least equal to the debt repayments due in the short-term, in order to cover liquidity risks.

7.2.9 Management of market risks

Market risks are managed on a conservative basis, without taking any speculative positions. In particular, at 31 December 2018, the Company has no exposure to interest rate risk on 93% of debt, with 87% of debt at fixed rates and 6% hedged using caps. If applicable, our policy is to hedge interest rate risk on at least 70% of debt using swaps or caps.

7.2.10 Management of counterparty risks

All financial transactions are carried out with leading financial institutions.

Cash reserves, which are limited due to the use of revolving credit facilities, are invested with high quality banks and are not exposed to the risk of any loss of capital.

7.2.11 Controls over property-related technical risks

The purpose of controls over property-related technical risks is to prevent and contain environmental risks (asbestos, lead, legionella, etc.) associated with the properties in the portfolio and to ensure that all of these properties comply strictly with the applicable laws and regulations.

All of the risks have been identified and described in an environmental charter. Procedures have been drawn up covering all identified risks, including checks for asbestos and lead paint, legionella prevention measures, analyses of drinking water and safety checks on technical installations (electricity systems, lifts, safety equipment, gas pressure equipment, escalators, automatic doors and travelling units).

The procedures describe the action to be taken, the implementation timeline and the related controls. Employees responsible for these measures and controls receive specific training.

7.2.12 Purchases and contract tendering

Routine purchases are made from approved suppliers at regularly negotiated prices. For other purchases, competitive bids are obtained from several companies or suppliers where appropriate.

7.3. Overview of the Audit Committee's work in 2018 and comparison with best practices

7.3.1 The Audit Committee's role and best practices

The Audit Committee's main practices consist of:
- Planning in advance the work to be performed and validating the issues to be discussed during Committee meetings.
- Performing detailed reviews of financial information and gaining an in-depth understanding of the internal control system.
- Drafting questions and comments on specific issues (requests for explanations of assumptions used for calculations and information consistency).
- Performing detailed reviews of the external auditors' work and following up on action to implement their recommendations concerning the internal control system.
- Regularly reporting on the status of the Committee's work to the Board of Directors, to permit the Board to assess this work.

These practices will be pursed and strengthened.

The Company's system of internal control is designed to:
- Ensure that all acts of management, all transactions, and the behaviour of all Company employees comply with the general strategic guidelines established by the Board of Directors, the applicable laws and regulations, and SFL's corporate values, standards and internal rules.
- Ensure that all accounting, financial and management information reported to the Company's Board of Directors gives a true and fair view of the Company's business and position.
- Prevent and manage business risks, as well as the risk of accounting and other errors and fraud.

However, no system of controls can provide an absolute guarantee that all such risks have been completely eliminated.

The Board of Directors has tasked the Audit Committee with strengthening the Company's corporate governance rules and diligently assessing internal control and risk management procedures.

The Chairman of the Audit Committee regularly updated the Board of Directors about the Committee's work.

The European Audit Directive and the European Regulation concerning the audit of public interest entities ("PIEs"), which are effective as from the first financial year beginning on or after 17 June 2016 (except where a transition period applies), have led to some significant changes.

Audit Committees are now required to:
- Make recommendations to the Board on the financial reporting process to ensure its integrity.
- Monitor the effectiveness of internal audits of the procedures for the preparation and processing of accounting and financial information.
- Monitor the audit of the financial statements by the external auditors. To assist the Committee in this task, the auditors are required to submit to the Committee a report explaining the results of their audit, at the same time as their report setting out their audit opinion or earlier.
- Approve the provision of non-audit services ("NAS") by the auditors.
- Adopt the necessary measures for the application of auditor independence rules.
- Make recommendations to the Board of Directors concerning the appointment or re-appointment of the auditors.
- Authorise in advance the provision of permitted NAS, after obtaining assurance that:
  - the services concerned do not threaten the auditors' independence, and
  - the fees for permitted NAS do not exceed 70% of the average fees paid in the last three financial years for the audit of the consolidated financial statements of the PIE and, if applicable, the entity that controls or is controlled by the PIE.
- The 70% cap will apply for the first time to NAS provided during the financial year beginning on 1 January 2020 for companies that have a 31 December year-end.

The auditors are required to submit to the Audit Committee their audit plan, a description of material weaknesses in internal control over the preparation and processing of accounting and financial information, details of any changes to be made to the financial statements and details of any irregularities or misstatements identified during the audit.

The auditors are also required to submit to the Audit Committee the audit report provided for in Article L.823-16 of the French Commercial Code, the annual declaration of independence and details of their fees and the services provided.

7.3.2 Internal audits performed in 2018

At its meeting on 11 January 2018, the Audit Committee defined and approved the internal audit programme for the year based on the Company's risk map.

The 2018 programme covered the following:

i) Review of asset appraisal process
Audit of the quality of the valuers' data and the quality of SFL's process for integrating these data.

ii) Review of risk coverage process/building insurance
Audit to determine whether the policy for transferring risks to the insurance market is appropriate and whether the coverage/cost ratio is appropriate given the occurrence of risks inherent in SFL's business.

iii) Review of vacancy risk coverage
Audit of system to manage vacant unit indicators and assessment of appropriate controls to limit vacancy risks.

iv) Review of insider trading procedures
Audit of the quality of information given to SFL shareholders and the controls over inside information.

After each audit, reports were prepared and submitted to the Audit Committee, which also made inquiries of the internal auditors and the Chief Resources Officer, who is the head of Internal Audit. The Audit Committee was also informed of the status of action plans undertaken to implement the internal auditors' recommendations.

i) Review of asset appraisal process

The purpose of the audit was to obtain assurance concerning the reliability of the valuer selection process by examining the various stages in the process and the related controls.

The identified areas for improvement concern:
– Preparation of a table detailing the properties to be valued by each expert. This is already provided for in the Company's procedures but the table's usefulness is limited due to the fairly small number of properties in the portfolio.
– Checks to be performed when the appraisal reports are received to ensure that the valuers have used three valuation methods. A review of the appraisal reports revealed that in some cases the comparable transactions method was not used. Use of this method can be very difficult or even impossible due to the nature of the properties in SFL's portfolio and the absence of transactions involving comparable assets. In these cases, KPMG proposes amending the procedure that recommends the use of this method.

ii) Review of risk coverage process/building insurance

The purpose of the audit, which covered the years 2017 and 2018, was to obtain assurance concerning the reliability of insurance purchase/cancellation and claim management processes by examining the various stages in the processes and the related controls.

The audit did not give rise to any recommendations. KPMG concluded that the "Comprehensive Building Insurance" procedure was properly applied by the Company. Policy terms are reviewed at least once a year and riders are issued systematically whenever there is a change in the portfolio. Similarly, the "Claims management" procedure is also properly applied and the incidence of claims is low, attesting to the Company's efficient management and detailed knowledge of the properties.

iii) Review of vacancy risk coverage

The purpose of the audit was to obtain assurance concerning the reliability of lease termination and marketing processes by examining the various stages in the processes and the existing controls.

Following the audit, KPMG recommended the development of stricter programmed controls over certain lease expiry dates in the computer system and a system for archiving end-of-lease documentation.

iv) Insider trading: Review of insider trading procedures

Despite the very small free float (around 5% of the capital), the internal auditors considered that it would be useful to check the quality of information given to SFL shareholders and the effectiveness of controls over inside information. The audit covered the years 2016-2018 and focused on the reliability of the processes to prevent insider trading, particularly concerning blackout periods around the publication of the Company's results.

SFL complies with insider trading regulations. The list of permanent insiders is regularly updated and insiders are regularly informed of the blackout periods during which they are prohibited from trading in SFL shares. In addition, insider trading issues are addressed in a code of ethics.

SFL does not keep a list of occasional insiders due to the absence of transactions requiring the submission of such a list to the AMF. A list of occasional insiders would be prepared immediately if the need arose.

Following its audit, KPMG issued the following recommendation (with a low criticality rating):
– raise awareness of employees concerned by insider trading through the use of emails or information sessions.

v) Follow-up of the internal auditors' recommendations

The internal auditors regularly check that action has been taken to implement their recommendations. Their checks show that the recommendations are duly implemented and taken into account in the internal control system.

A new check will be performed in 2019 on the status of recommendations that were still in the process of being implemented at the end of 2018.

8. SFL and its Shareholders

8.1. Information about the Company's capital

8.1.1 Changes in capital over the last five years (2014-2018)

Date	Description	Issues			New capital	
		Number of shares issued	Par value	Gross premium	Total number of shares	New capital
2014	None	–	–	–	46,528,974	€93,057,948
2015	None	–	–	–	46,528,974	€93,057,948
2016	None	–	–	–	46,528,974	€93,057,948
2017	None	–	–	–	46,528,974	€93,057,948
2018	None	–	–	–	46,528,974	€93,057,948

8.1.2 Ownership structure and voting rights at 31 December 2018

Main shareholders	Total shares	Total voting rights	% interest	% voting rights(1)
Inmobiliaria Colonial, SOCIMI, SA	***38,018,307***	***38,018,307***	***81.71%***	***82.19%***
Predica(2)	5,992,878	5,992,878	12.88%	12.96%
Other subsidiaries (La Médicale/CA Life Greece/CAA/CACI/CALIE Lux/ Pacifica/Spirica, etc.)	140,890	140,890	0.30%	0.30%
Sub-total Crédit Agricole Group	***6,133,768***	***6,133,768***	***13.18%***	***13.26%***
Sub-total, main shareholders	**44,152,075**	**44,152,075**	**94.89%**	**95.45%**
Free float	2,102,625	2,102,625	4.52%	4.55%
SFL treasury shares	274,274	–	0.59%	–
Total	**46,528,974**	**46,254,700**	**100.00%**	**100.00%**

(1) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights. Based on these figures, SFL's outstanding share capital at 31 December 2018 was €93,057,948.
(2) Life/health insurance subsidiaries of the Crédit Agricole Group.

To the best of the Company's knowledge, no other shareholder holds over 5% of the capital or voting rights and no agreement exists that could lead to a change of control of the Company.

8.1.3 Changes in ownership structure and voting rights

	2015(1)		2016(1)		2017(1)	
Main shareholders	% interest	% voting rights(2)	% interest	% voting rights(2)	% interest	% voting rights(2)
Inmobiliaria Colonial	***53.14%***	***53.58%***	***58.55%***	***59.01%***	***58.56%***	***58.94%***
DIC Holding LLC	8.56%	8.63%	8.56%	8.63%	8.56%	8.62%
Qatar Holding LLC	13.64%	13.75%	13.64%	13.74%	13.64%	13.73%
Sub-total DIC Holding and Qatar Holding (acting in concert)	***22.20%***	***22.37%***	***22.20%***	***22.37%***	***22.20%***	***22.35%***
Predica	12.85%	12.96%	12.88%	12.98%	12.88%	12.97%
Other subsidiaries	0.30%	0.30%	0.30%	0.31%	0.30%	0.30%
Sub-total Crédit Agricole Group	***13.15%***	***13.26%***	***13.18%***	***13.29%***	***13.18%***	***13.29%***
Reig Capital Group	4.38%	4.42%	0%	0%	0%	0%
Free float	6.32%	6.37%	5.29%	5.33%	5.40%	5.42%
Treasury shares	0.81%	–	0.78%	–	0.66%	–
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(1) At 31 December of each year.
(2) No shares carry double voting rights, all shares are in the same class and treasury shares are stripped of voting rights.

To the best of the Company's knowledge, there were no other shareholders holding more than 5% of the capital or voting rights in any of the three years presented.

Disclosure thresholds

Changes in interests disclosed to the Company since 1 January 2019
None

Changes in interests disclosed to the Company in 2018
218C1836 - In a letter received on 14 November 2018, DIC Holding LLC(1) and Qatar Holding LLC(2) (Ooredoo Tower, Diplomatic Area Street, West Bay, PO Box 23224, Doha, Qatar), acting in concert, disclosed that their interest in SFL had been reduced on 12 November to below the disclosure thresholds of 20%, 15%, 10% and 5% of the capital and voting rights and that they no longer held any SFL shares.
The disclosure thresholds were crossed as a result of the sale of SFL shares to Inmobiliaria Colonial, SOCIMI, SA in exchange for newly issued Inmobiliaria Colonial, SOCIMI, SA shares on 12 November 2018.

In connection with the sale, (i) Qatar Holding LLC disclosed that it had reduced its interest to below the disclosure thresholds of 10% and 5% of SFL's capital and voting rights and (ii) DIC Holding LLC disclosed that it had reduced its interest to below the disclosure threshold of and 5% of SFL's capital and voting rights.

218C1827 - In a letter received on 13 November 2018, Inmobiliaria Colonial, SOCIMI, S.A. a Spanish joint stock corporation (Paseo de la Castellana, n° 52, Madrid, Spain) disclosed that on 8 November 2018 it had increased its interest to above the disclosure threshold of two-thirds of the capital and voting rights and that it held, within the meaning of Articles L.233-7 and L.233-9 I, 4° of the French Commercial Code, 37,569,285 Société Foncière Lyonnaise shares representing the same number of voting rights (80.74% of the capital and voting rights(3)), as follows:

	Shares and voting rights	% interest and voting rights
Inmobiliaria Colonial, SOCIMI, S.A (direct interest)	27,238,858	58.54
Inmobiliaria Colonial, SOCIMI, S.A(4) (integrated interest)	10,330,427	22.20
Total Inmobiliaria Colonial	**37,569,285**	**80.74**

The disclosure threshold was crossed as a result of the conditions precedent associated with the sale and contribution announced on 15 October 2018 by Inmobiliaria Colonial being met. The transaction was due to be completed in November.

Changes in interests disclosed to the Company in 2017
None

Changes in interests disclosed to the Company in 2016
2016DD438591 – On 4 July 2016, Inmobiliaria Colonial ("Colonial") (Av. diagonal, 532 - 08008 Barcelona – Spain) disclosed that its interest in SFL had increased to above the statutory disclosure thresholds of 54% and 56% of the capital and voting rights.

The disclosure thresholds were crossed on 28 June 2016 following Colonial's Annual General Meeting at which its shareholders approved the sale to Colonial by Reig Capital Group, for a mix of cash and shares, of 2,038,956 SFL shares representing approximately 4.4% of the Company's capital and voting rights(5).

Following this transaction, Colonial held 26,765,356 SFL shares, representing approximately 57.52% of the capital and voting rights.

8.2. Share equivalents

The Company has not issued any other securities with rights to a share in the capital.

8.3. Directors' interests

Directors at 31 December 2018	Number of SFL shares held by Directors(6) at 31 December 2018
Juan JOSÉ BRUGERA CLAVERO	15,775
Angels ARDERIU IBARS	25
Ali BIN JASSIM AL THANI	25
Sylvia DESAZARS DE MONTGAILHARD	50
Chantal du RIVAU	30
Jean-Jacques DUCHAMP	25
Carlos FERNANDEZ-LERGA GARRALDA	50
Carmina GANYET I CIRERA	30
Carlos KROHMER	30
Arielle MALARD DE ROTHSCHILD	25
Luis MALUQUER TREPAT	400
Nuria OFERIL COLL	25
Pere VIÑOLAS SERRA	5,325
Anthony WYAND	100
Total	**21,915**

(1) Qatari limited liability company controlled by the Amiri Diwan of the State of Qatar.
(2) Qatari limited liability company controlled by the Qatar Investment Authority.
(3) Based on a total of 46,528,974 shares and voting rights outstanding, in accordance with paragraph 2 of Article 223-11 of the AMF's General Regulations.
(4) Purchase and contribution agreement between the disclosing party, DIC Holding LLC and Qatar Holding LLC expected for completion between 8 November and 31 December 2018 (or on any other date agreed between the parties).
(5) 1,019,478 shares were sold to Colonial for cash and the remaining shares were sold in exchange for 90,805,920 Colonial shares issued to Reig Capital Group.
(6) The Directors' Charter stipulates that each Director must disclose to SFL the shares held directly and indirectly (Article L.225-109 of the French Commercial Code). Article 17 of the Company's Articles of Association states that each Director is required to hold at least 25 registered shares.

8.4. Transactions carried out by top management and parties closely related to them during 2018

Disclosed by: Nicolas Reynaud, Chief Executive Officer
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 4 April 2018
AMF notification received: 5 April 2018
Market: Euronext Paris
Unit price: €0.00
Number of shares: 11,250

Disclosed by: Dimitri Boulte, Managing Director
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 4 April 2018
AMF notification received: 5 April 2018
Market: Euronext Paris
Unit price: €0.00
Number of shares: 9,000

Disclosed by: Juan José Brugera Clavero, Chairman of the Board of Directors
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 4 April 2018
AMF notification received: 5 April 2018
Market: Euronext Paris
Unit price: €0.00
Number of shares: 4,500

Disclosed by: François Sebillotte, Chief Resources Officer
Type of instrument: shares
Type of transaction: acquisition of free shares under the Company's performance share plan
Transaction date: 4 April 2018
AMF notification received: 5 April 2018
Market: Euronext Paris
Unit price: €0.00
Number of shares: 3,750

Disclosed by: Dimitri Boulte, Managing Director
Type of instrument: shares
Type of transaction: sales
Transaction dates: 18, 20, 21, 24, 25 September 2018
AMF notifications received: 19, 21, 24, 25, 26 September 2018
Market: Euronext Paris
Unit price: €60
Number of shares: 2,180

Disclosed by: Qatar Holding LLC, company related to Ali Bin Jassim Al-Thani, director
Transaction date: 15 October 2018
Market: off-market
Type of transaction: sale
Type of instrument: shares
ISIN: FR0000033409
AMF notification received: 18 October 2018
Unit price: €69.6
Number of shares: 6,345,428
Transaction subject to conditions precedent

Disclosed by: Inmobiliaria Colonial, company related to Pere Viñolas Serra, director
Transaction date: 15 October 2018
Market: off-market
Type of transaction: purchase
Type of instrument: shares
ISIN: FR0000033409
AMF notification received: 18 October 2018
Unit price: €69.6
Number of shares: 6,345,428
Transaction subject to conditions precedent

Disclosed by: Qatar Holding LLC, company related to Ali Bin Jassim Al-Thani, director
Transaction date: 12 November 2018
Market: off-market
Type of transaction: sale
Type of instrument: shares
ISIN: FR0000033409
Information by transaction:

– Unit price: €68.33	Number of shares: 4,386,310
– Unit price: €68.33	Number of shares: 245,852
– Unit price: €73.00	Number of shares: 1,713,266
Aggregate information:	
– Price: €69.00	Number of shares: 6,345,428

AMF notification received: 14 November 2018
Shares transferred on 14 November 2018

Disclosed by: Inmobiliaria Colonial, company related to Pere Viñolas Serra, director
Disclosure date: 3 December 2018
Transaction 1:
– Transaction date: 29 November 2018
– Market: off-market
– Type of transaction: purchase
– Type of instrument: shares
– ISIN: FR0000033409
– Unit price: €67.50
– Number of shares: 281,022
Transaction 2:
– Transaction date: 3 December 2018
– Market: off-market
– Type of transaction: purchase
– Type of instrument: shares
– ISIN: FR0000033409
– Unit price: €67.50
– Number of shares: 168,000

Disclosed by: Dimitri Boulte, Managing Director
Transaction date: 4 December 2018
Market: Euronext Paris
Type of transaction: sale
Type of instrument: shares
Unit price: €64
Number of shares: 20
AMF notification received: 6 December 2018

8.5. Employee share ownership at 31 December 2018

At 31 December 2018, employees held 60,506 SFL shares directly and 5,838 SFL shares indirectly through the corporate mutual fund, together representing 0.123% of the capital.

The total includes the shares held by Dimitri Boulte, Managing Director, who has an employment contract with the Company.

Corporate mutual fund

The Actions SFL corporate mutual fund has a Supervisory Board set up in accordance with Article L.214-164 of the French Monetary and Financial Code *(Code Monétaire et Financier)*. As specified in the fund's rules, the Board comprises:
– three members representing employees and former employees, and
– three representatives of SFL.

It held one meeting in 2018, on 16 April, to review the fund's annual management report.

In accordance with Article L.214-64 of the French Monetary and Financial Code, in the event of a public offer for SFL's shares, the fund's Supervisory Board would be required to hold a meeting in order to decide whether to tender these shares to the offer.

8.6. Transactions in SFL shares carried out by the Company

8.6.1 Stock options granted to and exercised by the Chairman, the Chief Executive Officer and the Managing Director in 2018

No stock options were granted to or exercised by the Chairman, the Chief Executive Officer or the Managing Director in 2018. The last stock option plan expired on 12 March 2015, at the end of the options' eight-year life (see Appendix 13.1, page 64).

8.6.2 Performance share plans

Pursuant to the authorisation granted to by the Annual General Meeting of 20 April 2018, the Remuneration and Selection Committee which met on 22 March 2018, at its meeting held immediately after the Annual General Meeting the Board of Directors adopted the rules of the fifth performance share plan (Plan 5) and drew up the list of recipients of performance share rights in 2018. The Board decided to award a total of 67,184 performance share rights to selected employees and corporate officers of the Company and related companies within the meaning of Article L.225-197-2 of the French Commercial Code.

The Plan 5 rules are presented in Appendix 13.2 (page 64 *et seq.*).

8.6.3 Share buyback programme

The General Meeting of 20 April 2018 (fourteenth ordinary resolution) authorised a share buyback programme with the following objectives:

– To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groups in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq*. of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.
– To ensure the liquidity of the SFL share by entering into a liquidity contract with an investment firm in compliance with the practices allowed under French securities regulations.
– To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to cover the Company's obligations towards the holders of these securities.
– To cancel all or some of the shares bought back in accordance with the terms and conditions provided in Article L.225-209 of the French Commercial Code and subject to the authorisation to cancel shares acquired under the buyback programme given by the Annual General Meeting of 20 April 2018.
– And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorised by the applicable regulations.

The maximum purchase price for these shares was set at €90 per share and the authorisation was given for a period of 18 months.

At 31 December 2018, the Company held 274,274 shares in treasury, representing 0.59% of the capital.

These shares were purchased for the following purposes:
1. For allocation to SFL Group employees: 109,546
2. For purchase and sale transactions under a liquidity contract with an investment firm: 6,035
3. For delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company: 135,410
4. For delivery at a future date in exchange or payment for shares of another company in connection with any external growth transactions: 23,283

For the purpose of being cancelled: 0.

The Board of Directors has decided to present a resolution at the Annual General Meeting of 5 April 2019, authorising the Company to implement a share buyback programme based on a maximum price of €90 per share (nineteenth ordinary resolution).

The programme would concern the buyback of shares representing up to 10% of the Company's capital at the date of the Meeting, as adjusted if applicable for the effect of any capital increases or reductions carried out after the Meeting.

Based on the issued capital at 31 December 2018, the authorisation would concern the buyback of up to 4,652,897 shares. This ceiling will be adjusted in the event of any changes in issued capital in the period up to the date of the Annual General Meeting or any capital increases or reductions carried out after the Meeting.

The programme's main objectives will be the same as those set by the Annual General Meeting of 20 April 2018, and concerns the following:

– To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groups in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed

by Articles L.3332-1 *et seq*. of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.
- To buy and sell shares under a liquidity contract with an investment firm that complies with a code of ethics recognised by the French securities regulator (Autorité des Marchés Financiers).
- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date, for shares of the Company and to cover the Company's obligations towards the holders of these securities.
- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the eleventh extraordinary resolution of the Annual Meeting of 5 April 2019 authorising the Board of Directors to cancel shares acquired under the buyback programme.
- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorised by the applicable regulations.

If shares are bought back under a liquidity contract in accordance with the General Regulations of the Autorité des Marchés Financiers, the number of shares used to calculate the limit of 10% of the issued capital will correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The authorisation would be given for a period of eighteen months.

8.6.4 Summary of disclosures: Disclosure of treasury share transactions for the period from 1 January 2018 to 31 December 2018

Percentage of capital held by the Company and/or its subsidiaries	0.59%
Number of shares cancelled in the last 24 months	0
Number of shares held	274,274
Carrying amount of the shares	€15,274,067.85
Market value of the shares (at 31 December 2018)	€16,675,859.20

	Cumulative transactions		Open positions on the publication date of programme details			
			Open buy positions		Open sell positions	
	Purchases	Sales/Transfers(1)	Purchased calls	Forward purchases	Written calls	Forward sales
Number of shares	89,591	84,556	–	–	–	–
Average maximum maturity	–	–	–	–	–	–
Average transaction price	€59.46	€59.50	–	–	–	–
Average exercise price	–	–	–	–	–	–
Amount	€5,326,725.20	€5,031,280.28	–	–	–	–

Transaction costs under the liquidity contract amounted to €26,800 in 2018.

(1) Not including the 37,896 vested performance shares awarded under Plan 3 by decision of the Board of Directors on 17 June 2015.

8.7. Disclosure thresholds

Paragraph III of Article 10 of the Company's Articles of Association states that in addition to the obligations arising from legal disclosure thresholds, any individual or legal entity acting alone or in concert that holds – directly or indirectly within the meaning of Articles L.233-7 *et seq*. of the French Commercial Code – shares and/or securities carrying rights to shares representing at least 2% of the Company's capital or voting rights is required to disclose to the Company by registered letter with return receipt requested, within five trading days of the additional interest being recorded, details of the number of shares and/or securities carrying rights to shares that are held and the number of voting rights attached thereto.

These disclosure formalities must be followed each time a shareholder's interest is raised to above or reduced to below the 2% threshold or any multiple thereof, including when the interest exceeds 5%.

In the case of failure to comply with these disclosure rules, at the request of one or several shareholders with combined holdings representing at least 2% of the Company's capital or voting rights, the undisclosed shares will be stripped of voting rights, in accordance with the conditions set down by law. Said request will be recorded in the minutes of the General Meeting and will entail the automatic application of the abovementioned sanction.

The disclosures received are presented in section 8.1.3 "Changes in ownership structure and voting rights", page 24.

8.8. Dividends paid in the last three years

8.8.1 Dividend policy

The amount and manner of payment of future dividends will be decided each year according to the Company's earnings, cash position, financing terms, capital needs, overall business situation, the resources necessary to ensure the Company's development and any other factor that the Board of Directors considers relevant in preparing its recommendation to shareholders. The decision to pay a dividend, and the amount of such dividend, will also depend on the rights of holders of securities that may be issued in the future and any restrictions on dividend distributions that may exist as a result of existing lines of credit or any other debt. There can be no assurance that SFL will pay dividends in future years.

In any event, as a company taxed as an SIIC, SFL has certain distribution obligations. By virtue of Article 208 C of the French Tax Code, SFL is exempt from paying tax on (i) profits from its property rental activities, (ii) capital gains on property sales and sales of interests in look-through entities or subsidiaries that have elected for the SIIC regime, and (iii) dividends received from SFL subsidiaries that have also elected for the SIIC tax regime. In exchange for this exemption, the Company must distribute (i) at least 95% of the exempted rental profits within 12 months of the close of the financial year in which the profits are earned, (ii) at least 60% of the exempted capital gains from the sale of properties or interests in look-through entities or subsidiaries that have elected for the SIIC tax regime, or the sale of finance-lease contracts, within 24 months of the close of the financial year during which the capital gains were generated and (iii) 100% of the dividends received from subsidiaries that have also elected for the SIIC tax regime within 12 months of the close of the financial year during which the dividends were received. The amounts to be distributed are determined separately by each company that has elected for the SIIC tax regime, based on its individual earnings.

At the Annual General Meeting held to approve the 2018 financial statements, the Board of Directors will recommend paying a dividend of €2.65 per share.

8.8.2 Dividend payments

In accordance with Article 243 *bis* of the French Tax Code, information on dividends paid in the last three years is provided below:

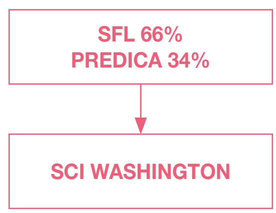
Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders resident in France	Portion of the dividend classified as a return of capital	Total dividend[1]
2015	€1.05[2]	–	–	€1.05	€48,855,422.70
	€1.05	–	–	€1.05	€48,855,422.70
2016	€1.05[3]	–	–	€1.05	€48,855,422.70
	€1.05	–	–	€1.05	€48,855,422.70
2017	€2.30	–	€2.30	–	€107,016,640.20

(1) Not including dividends not paid on shares held in treasury.
(2) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 13 November 2015.
(3) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 15 November 2016.

9. Partnerships

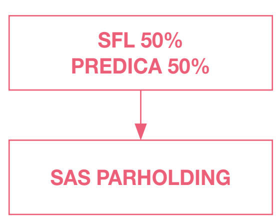
Partner	Joint venture	Main clauses
Predica[1]	SCI Washington (66%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica, the other partner has the option of: – agreeing to the change of control[2]; or – acquiring all the shares and shareholders' advances of the other partner; or – selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Life insurance subsidiary of Crédit Agricole Assurances.
(2) Following the takeover of SFL by Grupo Inmocaral, through its subsidiary Inmobiliaria Colonial SA, the joint venture partners agreed to SFL's change of control, as provided for under the terms of the related shareholders' pact.



Partner	Joint venture	Main clauses
Predica[1]	Parholding SAS[2] (50%-owned by SFL)	In the case of a change of control (50%) of SFL or Predica, the other partner has the option of: – agreeing to the change of control; or – acquiring all the shares and shareholders' advances of the other partner; or – selling all its shares and shareholders' advances to the other partner, at a price corresponding to the market value of the underlying assets, to be determined jointly by the parties or by an independent expert.

(1) Predica, the life insurance subsidiary of Crédit Agricole Assurances, became SFL's partner in Parholding on 6 October 2009 by acquiring the 50% stake previously held by Ile-de-France Investissements. The joint venture was approved by the European Commission on 25 September 2009.
(2) To enable SFL to fully consolidate Parholding (in accordance with IAS 27 – Consolidated and Separate Financial Statements that is applicable by SFL as a company listed on a regulated market according to IFRS 10) without increasing its interest in Parholding's capital, Parholding's governance was changed and the shareholders' pact was amended with effect from 31 December 2012, to give SFL and its representatives the power to control the company's strategic, financial and operating decisions by virtue of a contractual arrangement.



10. Shareholders' pacts

There is no longer any shareholders' pact concerning SFL between the Company's principal shareholders or any shareholders' pact signed by SFL and concerning its interests in other companies.

11. Share performance

SFL shares have been quoted in Compartment A of Euronext Paris since 21 February 2005. They were previously quoted on the Premier Marché of Euronext Paris as from 25 March 1998 and on the cash settlement market before that (ISIN: 0000033409).

Period		Price (€)		Trading volume	
		High	Low	Number of shares	Amount (in €m)
2018	January	61.80	54.40	60,143	€3.490
	February	63.40	57.40	112,000	€6.725
	March	60.20	58.00	24,759	€1.469
	April	60.00	56.00	37,986	€2.200
	May	58.00	56.00	20,163	€1.153
	June	59.80	57.20	21,343	€1.249
	July	58.60	56.20	17,155	€0.995
	August	60.80	57.80	55,942	€3.308
	September	60.60	58.00	41,120	€2.434
	October	64.60	58.40	88,446	€5.389
	November	66.00	62.40	39,974	€2.555
	December	64.60	59.20	27,277	€1.702
2019	January	63.00	57.80	57,385	€3.462
	February	67.00	60.80	22,941	€1.483

12. 2018 Non-Financial Information

Introduction

France's oldest property company, founded in 1879, SFL has also acted as a developer-contractor to build, maintain and transform its real estate assets over the course of its long history.

"As a constantly engaged participant in the major projects that have transformed the urban landscape and economy of Paris, SFL has consistently foreseen and embraced the sweeping changes that have kept the city vibrant and modern." (Simon Texier, Professor of Contemporary Art History at the University of Picardy, quoted in SFL – Du Paris haussmannien à la ville connectée, 2017).

Currently the leader in the prime Parisian office segment, SFL is enhancing its vision by integrating the latest global sustainable urban development standards, as well as the expectations of its increasingly demanding, responsible tenants, in line with international agreements on climate change and social responsibility.

In deploying its prime property strategy, social responsibility ranks at the very top of SFL's concerns.

This commitment is informed by the 15 CSR issues whose risks and opportunities have been deemed material to its stakeholders and critical to SFL's profitability as a property company. Based on their materiality and how well they are managed, these issues have been organised into three components of the portfolio's intangible value: societal value, green value and human value.

Following on from the improvements in the reporting tools and risk management systems, the scope of reporting was further expanded in 2018. The automated reporting process is one of the core components in the increasing convergence between the digital transition and the real estate business.

This year was shaped by the issuance of building permits for the top-to-bottom redevelopment of the Biome (112 avenue Zola) and the 83 Marceau (96 avenue d'Iéna) buildings and the revitalisation of the façades on the Édouard VII complex.

As part of the momentum spurred by the new non-financial information statement *(déclaration de performance extra-financière)*, which SFL is not required to file but whose approach it embraces, programmes were pursued in 2018 to further reduce the Group's greenhouse gas (GHG) emissions, in particular by improving building energy efficiency. SFL also led discussions with public authorities, residents and institutions that neighbour its projects to instil their expectations and local opportunities in its programmes.

Inspired by its business' long-term outlook and the exciting new vision for its city, SFL forged a number of partnerships in 2018 that will significantly increase its responsible procurement by using renewable energies and connecting its buildings to the Paris district cooling network.

1. How SFL creates value

SFL's clear position in the prime real estate market and its organisation by core competency provide solid foundations for its creation of tangible and intangible value.

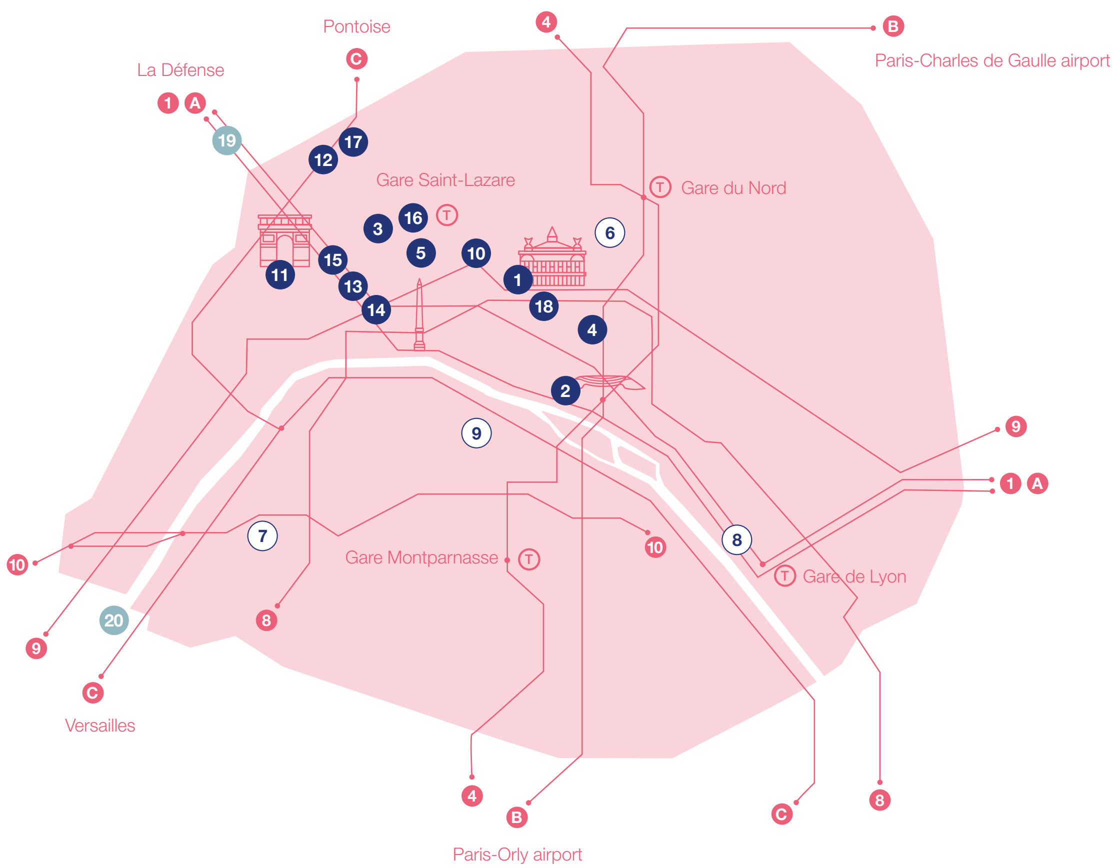
1.1. Twenty prime assets in the capital's most vibrant neighbourhoods

SFL is a property company focused on prime office real estate. Its portfolio comprises 20 assets (78% offices, 21% retail units and a hotel and 1% residential units by value), whose physical occupancy ratio stood at 97.3% at 31 December 2018.

Our tenants and their employees, totalling around 40,000 users on 20 sites, represent the highest concentration of human value-added in their industries.

All of the buildings are located a few minutes walk from a train or public transport station, in the thriving business districts of Paris, Neuilly-sur-Seine and Issy-les-Moulineaux.

The robustness of these prime office assets stems from the steady ongoing commitment of major capital investments, as evidenced by the renovations and redevelopments currently under way or completed over the past ten years.



1 Édouard VII
2 Louvre Saint-Honoré
3 Washington Plaza
4 #cloud.paris
5 Cézanne Saint-Honoré
6 Condorcet
7 Biome
8 Rives de Seine
9 103 Grenelle
10 106 Haussmann
11 83 Marceau
12 131 Wagram
13 90 Champs-Élysées
14 Galerie Champs-Élysées
15 92 Champs-Élysées
16 9 Percier
17 112 Wagram
18 6 Hanovre
19 176 Charles de Gaulle
20 Le Vaisseau

THE SFL PORTFOLIO: 392,300 SQ.M.

	Paris	Total surface area[1]
1	Édouard VII	54,100 sq.m.
2	Louvre Saint-Honoré	47,700 sq.m.
3	Washington Plaza	47,000 sq.m.
4	#cloud.paris	35,000 sq.m.
5	Cézanne Saint-Honoré	29,000 sq.m.
6	Condorcet – Paris 9	24,900 sq.m.
7	Biome Paris – Paris 15	24,500 sq.m.*
8	Rives de Seine – Paris 12	22,700 sq.m.
9	103 Grenelle – Paris 7	18,900 sq.m.
10	106 Haussmann	13,400 sq.m.
11	83 Marceau	9,600 sq.m.*
12	131 Wagram	9,200 sq.m.
13	90 Champs-Élysées	8,900 sq.m.
14	Galerie Champs-Élysées	8,700 sq.m.
15	92 Champs-Élysées	7,700 sq.m.
16	9 Percier	6,700 sq.m.
17	112 Wagram	6,000 sq.m.
18	6 Hanovre	4,600 sq.m.
	TOTAL	**378,600 sq.m.**

	Western Crescent	Total surface area[1]
19	176 Charles de Gaulle *Neuilly-sur-Seine*	7,400 sq.m.
20	Le Vaisseau *Issy-les-Moulineaux*	6,300 sq.m.
	TOTAL	**13,700 sq.m.**

● Paris Central Business District

○ Rest of Paris

● Western Crescent

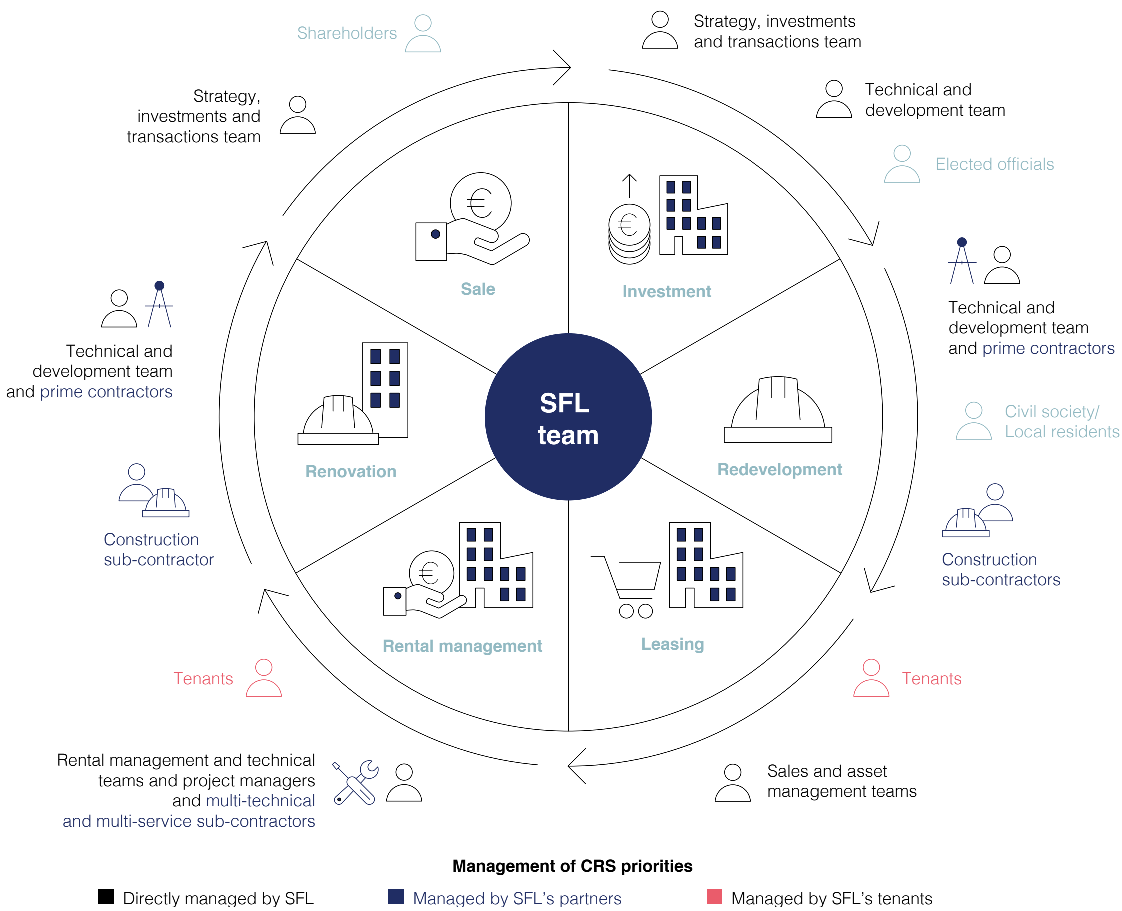
(1) Including infrastructure and excluding car parks.

* Planned surface area.

1.2. A clearly identified value chain

The value chain running through a property asset's life cycle comprises six links: investment, redevelopment, leasing, rental management, renovation and, if the opportunity is right, sale.

Mapping the value chain helped to identify our CSR issues and the stakeholders who could have an impact on them. Our organisation by core competency is a critical driver in a highly efficient value creation process.



1.3. Engaging with our stakeholders

Key indicators for each phase of the value chain include:

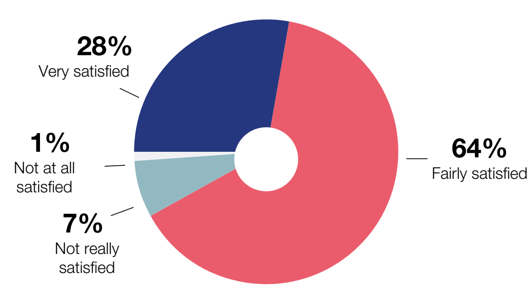
– Redevelopment projects:
- One new redevelopment project (Le Louvre Saint-Honoré) was in the planning phase at end-2018,
- Two redevelopment projects (Biome and 83 Marceau) obtained their building permits.

– New leases:
- 21,000 sq.m. in 2018.

– Rental management:
- 92% tenant satisfaction rate (2017 survey).

– Renovation projects:
- Four urban planning permits obtained in 2018,
- Six tenant area renovation projects delivered in 2018,
- 53 common area renovation projects delivered in 2018.

OVERALL SATISFACTION SCORE



2. Definition of non-financial issues and their related risks and opportunities

Analysing the business model's risks and opportunities is central to SFL's ability to create value.

Because these risks and opportunities are closely bound to the CSR issues inherent in its business, the intangible societal, green and human values all make an important contribution to the overall value SFL creates.

This holistic approach is presented and described in the sections below.

2.1. 15 issues in three aspects of the portfolio's intangible value

SFL has analysed the materiality of its CSR issues in accordance with international standards and industry best practices, as set out in the G4 Sustainability Reporting Guidelines issued by the Global Reporting Initiative and recommended by the European Public Real Estate Association (EPRA).

Performed jointly with the working groups set up to examine specific issues, the Management Committee and the Chief Executive Officer, this materiality assessment helped to shape our CSR policies, objectives and action plans. In 2017, these issues and their materiality were updated by the CSR Committee and reviewed in light of the new regulatory framework concerning the non-financial information statement.

Based on the findings of the materiality analysis, the following map classifies the CSR issues into three levels of materiality, as follows:

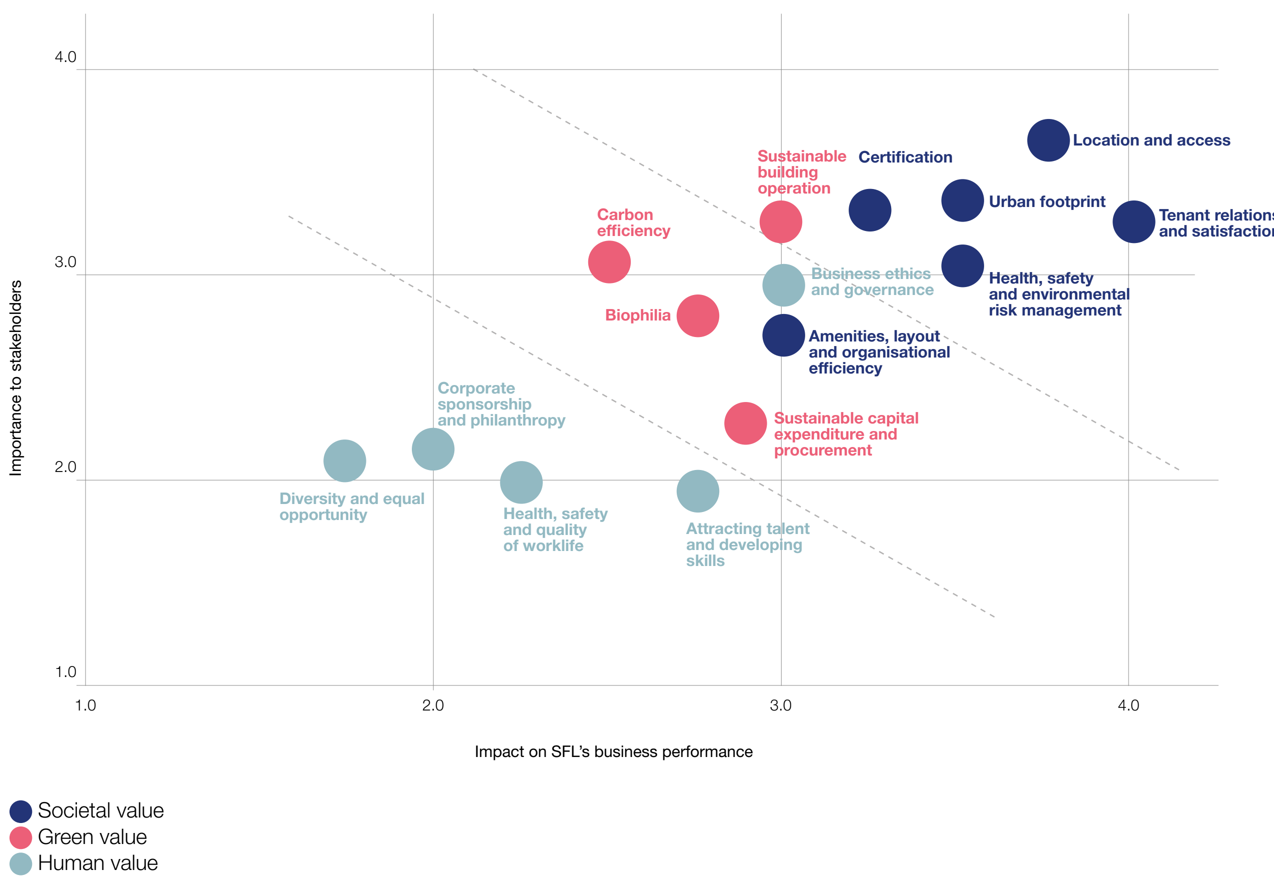
1. Ranking top in materiality are the six "fundamental issues" embedded in the heart of our business;

2. Ranking midway in materiality are the five "major issues" that contribute to the Group's intangible value and resonate with emerging stakeholder expectations and new impacts on our business;

3. Ranked below the second materiality threshold are four "issues to watch," which do not have much impact on our short-term strategy, but which should be tracked as their materiality could change over time.

To organise this report in line with our continuous improvement strategy as a prime property company, CSR issues are presented according to three aspects:
– Societal value,
– Green value,
– Human value.

MATERIALITY MATRIX OF CSR ISSUES



2.2. Main non-financial risks and opportunities

In line with the risk and opportunity approach recommended in the Non-Financial Information Statement, SFL addresses the risks inherent in its business and optimises the related opportunities through the 15 CSR issues.

The table below illustrates the correlation between the CSR issues (in the centre) and the SFL business model's risks and opportunities.

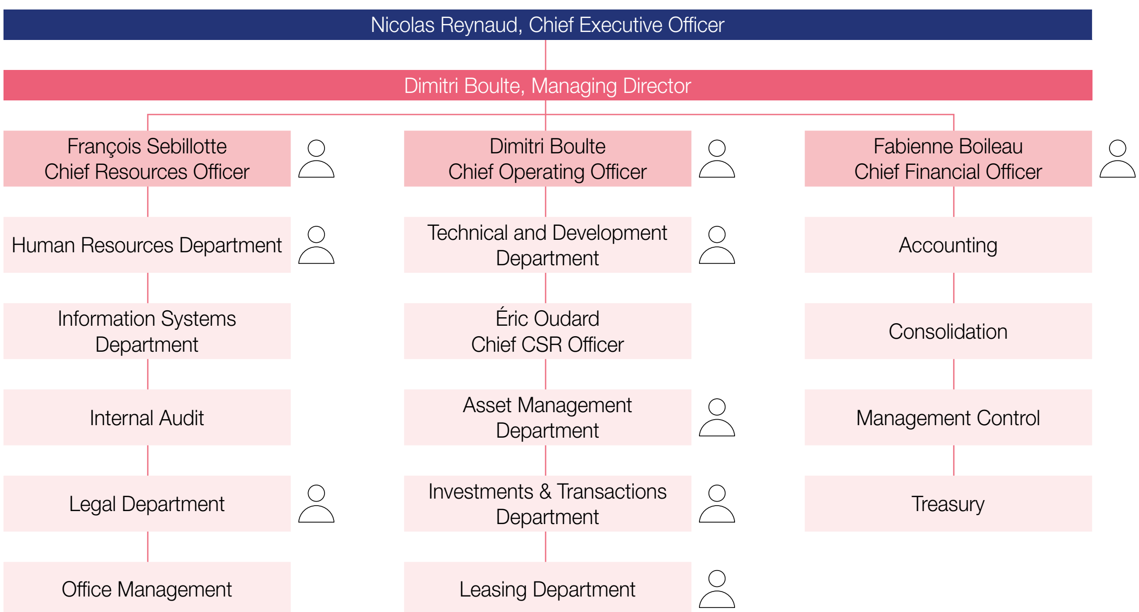
Main risks						Main opportunities			
Legal	Reputational	Financial	Operational	Values	CSR issues by materiality	Efficiency	Stakeholder affinity and loyalty	Asset valuation	Image of excellence
				Societal value	Tenant relations and satisfaction				
					Location and access				
					Certification				
					Amenities, layout and organisational efficiency				
					Health, safety and the management of environmental and health risks				
					Urban footprint				
				Green value	Sustainable building operation				
					Carbon efficiency				
					Sustainable capital expenditure and procurement				
					Biophilia				
				Human value	Business ethics				
					Attracting talent and developing skills				
					Health, safety and quality of worklife				
					Diversity and equal opportunity				
					Corporate sponsorship and philanthropy				

3. Ambitious vision, disciplined management

For each CSR issue, an ambitious vision has been defined, then expressed in objectives and tracking indicators that address the related risks and opportunities. Each indicator's scope of application and responsibilities have also been clearly identified (see the following section).

3.1. Managing non-financial performance in our operations

To define, execute and manage its strategy, SFL has organised its governance as follows:
- The Board of Directors, and particularly the representatives of our main shareholder Colonial, pay careful attention to the Group's CSR issues;
- The CSR Committee, comprising the Management Committee and representatives of the main departments concerned, meets twice a year and defines the main strategic guidelines for each CSR issue;
- Meetings to review the CSR Committee deliberations and guidelines are organised with the operating teams;
- The Chief CSR Officer (Eric Oudard), in charge of the Technical and Development Department, manages these issues in close collaboration with the Human Resources Director;
- Various working groups (asset management committees, CSR workshops) are integrating CSR aspects by developing operating procedures, issues of interest and outcomes and then discussing them with tenants, service providers, suppliers and other stakeholders directly on-site, particularly during tenant committee meetings.



Departments represented in the CSR working groups

3.2. Clearly defined scopes of reporting

Employee relations performance indicators and their related objectives cover 100% of the workforce, which is based entirely in Paris.

Societal and environmental indicators and their related objectives may cover different scopes, depending on whether or not the assets are operationally managed by SFL, are in use, or are being redeveloped or extensively renovated.

In all cases, however, the scope of reporting has been defined in line with industry best practices, particularly the guidelines for implementing the EPRA Sustainability Best Practice Recommendations. In 2018, they were organised as follows for the leading indicators:

SFL portfolio assets at year-end 2018					Assets held excluding redevelop-ments	Operationally managed assets	
Name	Current status	Multi or single tenant	Integrated utilities management	Gross usable surface area in sq.m.	Indicator: • Operational building certifications	Indicators: • Energy • Water • Carbon	Indicators: • Waste
176 Charles de Gaulle	In use	Multi-tenant	Yes	7,381			
Washington Plaza	In use	Multi-tenant	Yes	46,992			
Édouard VII	In use	Multi-tenant	Yes	49,611			
Cézanne Saint-Honoré	In use	Multi-tenant	Yes	29,047			
103 Grenelle	In use	Multi-tenant	Yes	18,705			
112 Wagram	In use	Multi-tenant	Yes	5,998			
92 Champs-Élysées	In use	Multi-tenant	Yes	7,692			
Galerie des Champs-Élysées	In use	Multi-tenant	Yes	8,662			
90 Champs-Élysées	In use	Multi-tenant	Yes	8,861			
#cloud.paris	In use	Multi-tenant	Yes	35,004			
131 Wagram	In use	Multi-tenant	Yes	9,185			
9 Percier	In use	Multi-tenant	Yes	6,690			
Rives de Seine	In use	Single tenant	Yes	22,671			
Louvre Saint-Honoré	Partially in use with extensive renovation works	Multi-tenant	Yes	47,675			
6 Hanovre	In use	Single tenant	No	4,608			
106 Haussmann	In use	Single tenant	No	13,434			
Condorcet	In use	Single tenant	No	23,321			
Le Vaisseau	For lease	N/A	N/A	6,332			
83 Marceau	Being redeveloped	Multi-tenant	No	9,600			
Biome	Being redevel-oped (acquired in April 2017)	Multi-tenant	No	24,500			
			Total surface area	385,969	91% of the portfolio by surface area	79% of the portfolio by surface area	66% of the port-folio by surface area

Assets whose performance was tracked in 2018

Assets covered by the scope of reporting in 2018

For energy data, including the types of energy tracked and the breakdown between common and tenant areas in each asset, additional details, based on the same methodology, may be found in appendix 7.1.1.

3.3. Main outcomes in 2018

SFL's ambitious vision, as expressed in its objectives and tracking indicators, has been recognised and honoured by a number of leading international organisations.

3.3.1 Objectives and tracking indicators

All of the CSR targets for the 2017-2020 period are presented in the following table.

	2018 outcome	2020 target	Degree achieved
Societal value			
Tenant relations and satisfaction			
% of satisfied or very satisfied tenants	92%	>80%	☺
% of space under new green leases	100%	100%	☺
Location and access			
% of the portfolio located less than a ten-minute walk from a metro/tram station	100%	100%	☺
Disabled-accessible redevelopment projects	100%	100%	☺
Wheelchair-accessible properties	80%	100%	😐
Certification			
% of buildings certified BREEAM In-Use with a Very Good or higher level (excluding redevelopment projects)	100%	>90%	☺
Redevelopment projects aimed at earning triple certification	100%	100%	☺
Health, safety and environmental risk management			
% satisfactory risk management	92%	>90%	☺
% of SFL-managed assets operated with the MEX web-based operations management platform	93%	>80%	☺
Green value			
Sustainable building operation			
Energy use intensity in kWh/sq.m., 2011-2020, like-for-like	-18%	-20%	☺
Water use intensity in cu.m./sq.m., 2011-2020, like-for-like	-9%	-20%	☹
Carbon efficiency			
Number of fuel oil-fired boilers in the portfolio	0	0/20	☺
Carbon efficiency in $kgCO_2e$/sq.m., 2011-2020, like-for-like	-37%	-20%	☺
% of energy used from renewable sources	37.5%	30%	☺
Sustainable capital expenditure and procurement			
% of new redevelopments using BIM[1] software	100%	100%	☺
Set maximum energy use, carbon emissions and water use targets for new acquisition redevelopment projects, in line with corporate targets. 20% under RT2012 energy efficiency standards, Effinergie	N/A	100%	N/A
Biophilia			
% of green spaces on built-up land	9%	11%	😐
Human value			
Attracting talent and developing skills			
% of payroll spent on training	3.2%	>2.5%	☺
Health, safety and quality of worklife			
% of employees surveyed every two years to measure the quality of worklife	100%	100%	☺

(1) BIM: Building Image Modelling.

3.3.2 Recognised performance

SFL ensures that its reporting processes are aligned with the most demanding standards and methodologies. In addition, we transparently seek assessments of our CSR performance and regularly respond to surveys from GRESB and other ESG rating agencies.

- **Building Research Establishment Environmental Assessment Method (BREEAM)**

SFL's very early adoption of BREEAM New Construction/Refurbishment certification for redevelopment projects and BREEAM In-Use International certification for properties in-use, plus the unprecedented certification of every asset in the portfolio, have been recognised by the presentation of several BREEAM Awards:

– The Office Refurbishment & Fit-Out Award for Washington Plaza in 2015,
– The Corporate Investment in Responsible Real Estate Award in 2017 and a nomination for the Award in 2018.

• **Global Real Estate Sustainability Benchmark (GRESB)**

In 2018, GRESB awarded SFL Green Star designation for the seventh year in a row.

An overall score of 86/100 confirmed our position among the top performers, while a perfect 100/100 in three of the seven subcategories assessed by the GRESB (Management, Policy & Disclosure, and Building Certifications) demonstrated the validity of our CSR process.

European Public Real Estate Association (EPRA)

SFL also complies with the recommendations issued by EPRA for its CSR reporting. EPRA-format indicators are presented in the relevant sections of this report. Two Gold Awards, in Sustainability and Finance Best Practices Recommendations, were earned in 2018.

• **Non-Financial Information Statement**

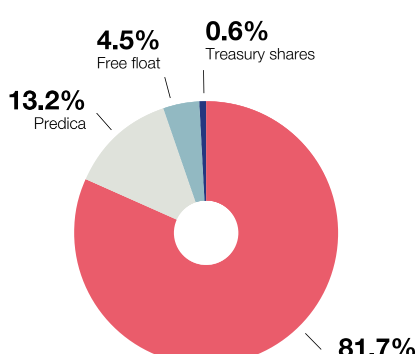
Although it is not required to file a non-financial information statement, SFL has decided voluntarily to demonstrate its commitment to the process.

4. Societal value

In recent years, tenants have observed an improvement in our properties' performance, reflected in their high utility value. Our positioning in the prime segment has been a key factor in securing the long-term backing of our shareholders. Our shareholders are both demanding and stable.

Societal value is central to the strategy of increasing the value of our portfolio. This intangible value was defined and measured in 2013 in a study called Quartier Libre (see www.fonciere-lyonnaise.com, in French only).

SFL'S OWNERSHIP STRUCTURE AT 31 DECEMBER 2018 (46.5 MILLION SHARES)



The following examples illustrate the high level of tenant satisfaction.

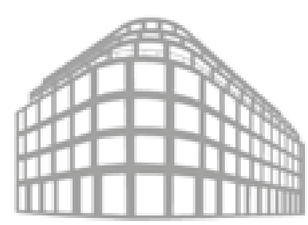
Cézanne Saint-Honoré

BREEAM In-Use Certification:
Part 1 ★★★★★ Part 2 ★★★★★
Floor plate: 800 to 1,500 sq.m. contiguous open space
Garden/paved seating area/green walls/private outside space: 190 sq.m. plus a tree-lined private street
Tenant satisfaction rate: 81%
Accessibility: full wheelchair access
Vélib' public bike hire station: 220-metre walk

103 Grenelle

BREEAM In-Use Certification:
Part 1 ★★★★ – Part 2 ★★★★★
Floor plate up to 1,600 sq.m. contiguous space
Garden/paved seating area/private outside space: Paved courtyard, architectural features preserved
Tenant satisfaction rate: 100%
Accessibility: full wheelchair access
Vélib' public bike hire station: 400-metre walk

#cloud.paris



BREEAM In-Use Certification: Part 1 ★★★★★
Floor plate: 800 to 3,000 sq.m. contiguous open space
Garden/paved seating area/private outside space: 858 sq.m. of planted areas plus two paved seating areas with disabled access, representing in total 2,500 sq.m.
Tenant satisfaction rate: 100%
Parking space for 100 bicycles, 100 motorbikes and 99 cars
Accessibility: full wheelchair access
Vélib' public bike hire station: 290-metre walk

4.1. Tenant relations and satisfaction

Tenant relationships are always top-of-mind at SFL, and a central focus of its organisation. Knowing and understanding current and future needs is a major advantage as we manage our buildings in-use and design new redevelopments and renovations. This is why every two years, we ask all of our office users to participate in a satisfaction survey. To deepen this knowledge, given that our portfolio is highly consistent in terms of quality and location, we also conduct the annual Paris WorkPlace survey of 2,000 managers in the Île-de-France region, to find out more about their office experience and expectations. This allows us to compare our own performance to a broader population that is highly representative of the people working in our buildings.

4.1.1 Measuring tenant satisfaction

The 2018 Paris WorkPlace survey and the 2017 satisfaction survey of our office users helped to improve our understanding of tenant expectations (http://www.parisworkplace.fr/ – http://www.fonciere-lyonnaise.com, in French only).

Statistical data from the Paris WorkPlace survey are enabling us to align our offering more closely with expectations and to validate our strategic focus on properties with a high utility value.

In 2017, 550 people participated in our satisfaction survey. The typical employee working in our buildings is a 38-year-old manager who lives in central Paris, has an average 40-minute commute by public transport and gives his or her well-being at work a score of 7.4/10 (compared to 6.8/10 for the managers in the Île-de-France region surveyed in our Paris WorkPlace benchmark). He or she works in an open space office, considers on-site amenities to be fundamental, would like more opportunities to meet people working in the same building and feels that environmental certification is important.

Tenant satisfaction and building performance indicators are tracked using the MEX web-based operations management platform developed with our partners.

MEX may ultimately be shared with tenants, providing an additional resource alongside the system already available to tenants in each building to manage service intervention requests.

More than 92% of satisfaction survey respondents said that they were satisfied or very satisfied with their offices, amply exceeding the target of 80%.

(Historical data: 80% in 2011, 82% in 2013, 96% in 2015 and 92% in 2017).

4.1.2 Encouraging tenant engagement

Through a variety of initiatives and media, SFL's tenant relationship management process actively encourages tenant engagement, particularly in its environmental commitment. This can be seen in the following examples of ongoing initiatives.

• Green leases

Today, 81% of SFL leases have an environmental appendix. All of the newly signed office leases include such an appendix, even for spaces of less than 2,000 sq.m.

• Green Committees

During tenant committee meetings, SFL reviews its main environmental indicators, offering an opportunity to discuss performance and planned improvements.

• Tenant newsletters

SFL fosters a sense of community in a number of its buildings by publishing tenant and user newsletters, such as *Le journal le 42* for the Washington Plaza building. These are distributed free to tenant employees to give them the latest news about the building and the neighbourhood, including cultural events, new restaurant openings and shopping opportunities. The media also keep users informed of the green initiatives being undertaken in the building.

• User guides

Every SFL building now has a user guide providing a wealth of information on their amenities, services and operation. Topics covered include building history, opening hours, accessibility (pedestrians, persons with reduced mobility, vehicles, public transport, etc.), safety and security, utilities (energy, water and waste management, etc.) and foodservices.

4.2. Location and access

Building locations, which are one of our major strengths, are also widely acclaimed by users, followed by the quality of their spaces and their architecture.

The latest satisfaction survey, for example, showed that 70.5% of employees commute to work by metro, tram, train or RER, 15.4% drive in by car, motorcycle or scooter or take a taxi, and 8.9% use a bicycle or walk.

4.2.1 Prime locations, exceptionally well served by public transport

As our Paris WorkPlace surveys show year after year, employees feel that the primary criterion for their well-being is the location of their workplace and their commute time from home. This was followed by the quality of their office space and the building's architecture. In fact, the location of the future workplace is such a major factor that people feel that, when considering a job offer, it is just as important as the proposed salary. As a result, high value-added companies, for whom attracting and retaining talent is a performance-critical issue, have to offer employees workspaces in the capital's most appealing neighbourhoods, that are both easily accessible and equipped with a diversified array of high-quality amenities.

SFL's investment strategy is historically aligned with these aspirations, as it has steadily concentrated the portfolio in the increasingly popular neighbourhoods (i) in the traditional business districts in western and central Paris (80% of SFL assets are located in the Central Business District); (ii) near the major Paris train stations (#cloud.paris, Rives de Seine, for example); and (iii) in the new mixed-use neighbourhoods such as the 9th *arrondissement* (Condorcet) or the 7th *arrondissement* (103 Grenelle), which offer compelling alternatives to the Central Business District.

The acquisition of properties like Biome, on avenue Émile Zola in the 15th *arrondissement,* reflects a forward-looking strategy to offer solutions to demanding tenants interested in moving to more diverse, mixed-use neighbourhoods (shops, cultural venues, housing), while retaining easy access via metro, RER or bus.

All of our assets are easily accessible by public and alternative transport. All of them are less than a 10-minute walk from a metro station and most of them also offer easily accessible car parks.

4.2.2 Responding to new forms of urban mobility

The overriding importance of the employee commute among the criteria for a sustainable location is also reflected in the increasing use of low-impact transport.

In redeveloping its buildings, SFL proactively adds dedicated spaces for electric vehicles. In the #cloud.paris building, there are more parking spaces reserved for bicycles and motorbikes than for cars.

Lastly, the 83 Marceau redevelopment project includes the creation of 112 spaces for bicycles on the ground floor.

4.2.3 Guaranteeing accessibility for everyone

The satisfaction survey shows that, thanks to our strategic focus on asset location, our tenants and users have an average commute of 40 minutes, which is shorter than the average in Île-de-France as a whole. According to the same survey, location is also the main advantage of SFL properties, with 83.2% of respondents feeling satisfied or very satisfied with the proximity of public transport, and nearly 74% with their urban environment.

The vast majority of the current portfolio is wheelchair-accessible and the redevelopments have been designed in compliance with the latest accessibility standards.

4.3. Urban footprint

SFL actively engages with the local authorities and stakeholders involved in the design and implementation of a real estate project. In a commitment to helping to shape the cityscape, we work closely with the City of Paris, the *arrondissement* town halls and other local authorities as part of results-oriented initiatives to support more responsible urban planning. We also get neighbourhood residents, elected officials and concerned stakeholders involved in every project to ensure strong acceptance and buy-in.

4.3.1 An engaged citizen of the city

SFL pays particular attention to the societal value of its assets. In all, our commitment to outstanding architectural design is helping to enhance the quality of urban life in our host cities and neighbourhoods.

Inspired by its 140 years of intimate involvement in construction and urban planning, SFL is keen for all of its projects to express a fresh architectural vision. We have therefore chosen to work with a growing number of renowned architects (Dominique Perrault on Marceau; B. Architects and AJN on Louvre Saint-Honoré; PCA on #cloud.paris), up and coming architects (Yrieix Martineau on Biome) and designers (Jouin/Manku on Biome, Anna Moussinnet on 83 Marceau).

At SFL, the issue of how an office building is used runs through the entire real estate project design process. The latest redevelopment projects, for example, are promoting the new uses for their underground floors made possible by (i) the emergence of new mobility systems and the correlative decrease in the need for parking spaces; (ii) the ability to densify and improve space usage in an already dense urban environment; and (iii) the ability to bring natural light into previously artificially lit areas.

One illustration is the creation of fully equipped gyms and a lounge/cafeteria in 42 Washington or the removal of two car park levels at 83 Marceau to create a public access area/lounge with a 200-seat amphitheatre and modular meeting rooms around a landscaped central patio open to the outside.

Each project also includes a review of the opportunities to create a planted roof terrace by relocating rooftop technical installations, as has been done on the top floor of the Cézanne Saint-Honoré complex.

SFL systematically works with official French government heritage preservation architects (ABFs) with the aim of redeveloping older buildings to the highest possible standards while preserving their architectural value. Prior to any redevelopment project, in-depth historical reviews are systematically performed to ensure that the buildings blend seamlessly into the high-quality urban fabric of Paris and our other host cities.

With its deep understanding of the challenges involved in city planning and urban architecture, SFL is committed to contributing to discussions about the future of today's cities and regional communities. To this end, it provides funding for the Pavillon de l'Arsenal, which encourages and promotes forward-looking thinking about architecture and the city. SFL also supports Fondation Palladio, which fosters debate about urban planning and quality of community life under the auspices of Fondation de France (the French government's private philanthropy administration agency).

SFL is a member of France's Architects & Owners Association (AMO), which promotes constructive relations between architects and building owners.

Lastly, as a member of the French property industry federation (FSIF), SFL participates in the meetings for France's Sustainable Building Plan. Each project's environmental footprint (energy use, amenities, natural light, vegetation, access) is assessed during the engineering studies phase. Moreover, interaction in the upstream also helps to more effectively define and attenuate the project's impact on the urban environment.

Following on from the work initiated in 2011-2014, and in a commitment to contributing to the reputation of Paris and its arts scene, for the past three years, SFL has provided funding for the Nuit Blanche all-night performance festival organised by the City of Paris. The ultimate goal is to change the way people look at art in Paris and encourage discussions about aesthetics, which are an integral part of SFL's product strategy.

4.3.2 Our Paris projects

SFL supports a stakeholder dialogue and governance system involving elected officials and local authorities during the project design phase and neighbouring communities during the works phase.

For each project, we perform a detailed audit and engage in discussions with all stakeholders as early as possible in order to clearly define the programme objectives and related benefits.

To demonstrate this unprecedented stakeholder engagement process, SFL wanted to get local residents involved far upstream in its Biome redevelopment project in the 15th *arrondissement*, without waiting to receive the administrative permits. In 2018, in conjunction with local council members, the City of Paris and community associations, SFL took the initiative of organising three neighbourhood meetings during which our architects and development teams presented the project and the changes made in response to resident comments and suggestions.

Dedicated information and communication media, such as a website and an on-site project information office, have been deployed to enable residents to follow project updates and works progress. The local community, represented by their council members, is being systematically involved in the project. This engagement process has driven a number of project revisions, for example, to create 700 sq.m. of housing space, a coworking area open to the neighbourhood, a business centre featuring an amphitheatre and meeting rooms for the convenience of local power users, and a landscaped botanical garden in the centre of the complex. The environmental aspects have also been upgraded to make the redevelopment an outstanding example of a BBCA-certified low-carbon refurbishment project, the first of its kind in Paris.

In 2018, SFL also continued these types of bespoke projects to enhance and repurpose spaces across the portfolio. With ABF authorisation, the passages in the Édouard VII complex were upgraded and the old gates were replaced with new ones in iron and brass designed by the Matthieu Paillard agency. The Tricoire agency also led a project to refurbish street furniture in the centre of the complex.

In addition to improving its property assets, SFL continues to promote and create spaces and amenities capable of fostering interaction, meetings and a greater sense of community. In 2018, for example, we partnered with the "Édouard VII Has a Heart" initiative to offer meals to homeless people in the neighbourhood in association with the Restos du Cœur charity, the town hall of the 9th *arrondissement* and the Mon Paris restaurant.

SFL also pursued its commitment to bringing together all the users of its buildings with the launch of a local newsletter *(Le 42)* for Washington Plaza. Printed in 2,000 copies, it reports all the latest news about the building and neighbourhood, promotes local services and fosters a sense of community throughout the building.

4.4. Amenities, layout and organisational efficiency

SFL strives to offer superior quality space and amenities, in line with tenant expectations.

4.4.1 High operating efficiency and maximum flexibility

SFL buildings offer maximum flexibility and highly efficient operations, which provide an effective buffer against the risk of obsolescence. Tenants appreciate the myriad of layout options, which allow them to create their own space, with total freedom to be as conventional or innovative as they like.

We take special care over the amenities, layout and organisational efficiency of our assets, in particular through regular renovations and upgrades.

Evolving tenant expectations are accurately integrated into each renovation programme, thanks to the project scheduling process led by our Design Committee (Project Scheduling and Outcomes Definition Committee).

SFL designs modular, free-flowing and adaptable office spaces, with stunning natural light, magnificently restored grand staircases and highly flexible floor plates that can be fitted out in line with tenant specifications. The resulting tenant layouts, which may be partitioned or open plan, ensure that users enjoy a very high quality working environment.

Office space

Office floor plates are delivered open plan to tenants, who are free to arrange them as they like. Ideal depths range from 13 to 18 metres with double exposure, so as to maximise the amount of fixed office space receiving direct sunlight. Meeting rooms, cubicles and common spaces can be laid out in areas receiving direct or indirect sunlight.

Most of our buildings offer modern, contiguous 1,000 to 3,000 sq.m. floor plates that are highly conducive to organisational efficiency.

Our 2017 Paris WorkPlace survey of a representative sample of office users in Île-de-France found that in the French Tech sector (a leading driver of office demand in the region), 86% of companies choose an open plan layout versus just 44% for all sectors combined (75% for SFL).

Utility installations are sized so that meeting rooms can be positioned anywhere on the floor plate, including in areas exposed to direct sunlight. These rooms usually cover an average 10% or so of the total floor area, but SFL designs its redevelopments to give them 15% to 20%. HVAC and lighting installations are generally sized to offer an occupancy ratio of 12 sq.m. of gross leasing area (GLA) per person. The ratio for sanitary facilities is 12 sq.m. of GLA/person.

The large majority of SFL buildings have raised access floors and a clear ceiling height of usually 2.70 metres.

4.4.2 Occupant well-being and new uses

Our Paris WorkPlace survey showed that a growing number of French Tech employees appreciate having a dedicated workplace rest area or relaxation area (66% and 50% respectively versus 41% and 30% respectively for all sectors combined). For 82% of them, the office is a place to socialise, a percentage that falls to 43% when employees from other sectors are included.

In a predominantly services-based society, people spend most of their time sitting down and use their brains more than their muscles. To create a better balance, SFL buildings feature fitness rooms and break areas, with quiet spaces and landscaped gardens, etc.

Refurbishment and upgrade works include solutions developed by SFL_le_studio to enhance the practical and environmental value of outside spaces and roof terraces, for example by:

- increasing urban biodiversity through green walls and other vegetation, rooftop vegetable gardens, etc.;
- creating a space for relaxation and events;
- installing renewable energy sources, such as solar or photovoltaic panels, urban wind turbines, etc.

All of these solutions were widely deployed in the Biome redevelopment programme, which will double the landscaped area, to 1,677 sq.m. from 791 sq.m., increase the site's ecological potential by 3.7 times, replace 20 ordinary trees by a diversity of 35 trees and 25 shrubs, create a large number of accessible landscaped terraces and install solar panels to supply 50% of the hot water used in the staff restaurant.

In addition, the project will be awarded BiodiverCity® Excellent certification.

Scheduled expenditure on buildings in-use includes solutions developed by SFL_le_studio to enhance the value of underground levels. These include the creation of:

- Collaborative workspaces: meeting rooms, co-working spaces, business centre, for use by people based in the building or outside.
- Foodservice areas, with diversified and innovative product offers.
- User amenities such as fitness centres, concierge services, treatment and relaxation rooms.

Two examples of these amenities expansion programmes added a fitness centre and a herbal tea room in 103 Grenelle and the following features at the Washington Plaza:

- A Welcome Manager offering concierge and events management services.
- A fitness centre with cardio/workout machines and classes (boxing, abs, dance, step aerobics, yoga, stretch, pilates, sophrology, etc.).
- A wellness area (massages, osteopathy, relaxation, beautician, etc.);
- Meeting rooms that can be booked by tenants.
- A café-lounge.

Certain uses that require natural light can be envisaged by installing glass roofs, light wells or patios. This is consistent with the Paris City Authorities' new PLU urban planning scheme applicable since September 2016, which encourages excavation of underground levels.

The 83 Marceau redevelopment programme amply incorporates these features by bringing natural light to three former car park levels and utilities rooms. In this way, future occupants will enjoy not only a vast 200-seat auditorium, but also sunlit spaces, meeting rooms and a café-lounge conducive to informal meetings and collaborative working.

Support services

When a building is large enough, SFL supplements these fitness and wellness facilities with a range of support services that make daily worklife easier for employees.

The concierge office, for example, is increasingly involved in organising events and managing amenities, so that it serves as the central, go-to service provider for all of the building users. This type of support was introduced at Washington Plaza and 103 Grenelle in 2018 and will be expanded to other properties in the future.

All redeveloped properties offer exceptional connectivity. Wireless network is available throughout each building, even in the least accessible areas, with maximum exposure to electromagnetic fields significantly below the limit set in European Directive 2013-35 dated 26 June 2013.

4.5. Health, safety and the management of environmental and health risks

Redeveloping and managing property assets involves a myriad of technical and architectural choices that can have a significant impact on the environment.

SFL has long deployed a wide range of initiatives to make its buildings healthier and mitigate the risks of pollution, in particular by:

- eliminating asbestos-containing materials and products whenever possible;
- testing for lead exposure before works begin;
- removing all PCB transformers;
- removing all equipment containing HCFC refrigerants (mainly R22);
- replacing fuel oil-fired boilers, the source of major sulphur dioxide and nitrogen oxide emissions;
- studying the replacement of open cooling towers as soon as possible to prevent the risk of legionnaires' disease.

It is important to remember that every day, 40,000 employees come to work somewhere in our portfolio (excluding Biome currently being redeveloped). With this in mind, we have deployed a highly disciplined environmental policy to continuously improve the quality of our assets by attenuating the risks to the health and safety of their occupants.

To this end, an environmental charter and health and safety risk management guidelines have been introduced and are expected to drive a steady improvement in outcomes.

4.5.1 A commitment to exceeding regulatory standards

As part of its culture of excellence, SFL's risk management organisation is built on a partnering relationship with a single Audit Bureau, which performs the full range of regulatory audits and reviews for all of the SFL-managed assets.

Since the regulatory compliance framework agreement was set up, there has been a sharp reduction in the number of observations by Audit Bureau. In 2018, however, the number of observations rose after SFL took over the operational management of two assets.

4.5.2 Managing risks with a dedicated platform

In recent years, systems have been deployed to track and manage the operations of every SFL-managed property, with a focus on securing compliance with regulatory obligations and developing accurate indicators.

In particular, an online risk management platform, known as MEX, was set up to enable the buildings to input their compliance data directly.

As of 31 December 2018, 14 of the 20 assets were managed via the platform.

Proportion of assets whose health and safety risks are tracked on a dedicated platform (EPRA code: H&S-Asset)

	2017	2018
Percentage of operationally managed assets whose health and safety risks are tracked on a dedicated platform	80%	93%

No provisions for environmental or climate change risks were recorded during the year.

4.6. Certification

SFL's tenant portfolio includes world-class companies who insist that their head offices demonstrate superior environmental performance and social responsibility.

In response to this major challenge, since 2012, we have ambitiously sought very high level environmental certification for all of our assets and for each refurbishment and development project.

These certifications are based on the real estate industry's leading standards, including BREEAM In-Use for properties in-use, and BREEAM New Construction, LEED, HQE and/or other labels (BiodiverCity®, BBC, etc.) for buildings being developed or refurbished

4.6.1 Every asset certified BREEAM In-Use with a Very Good or higher level

In 2012, SFL became the first European property company to earn BREEAM In-Use certification for all of its assets in-use.

In 2018, this represented 18 buildings totalling more than 350,000 sq.m. of usable surface area.(1)

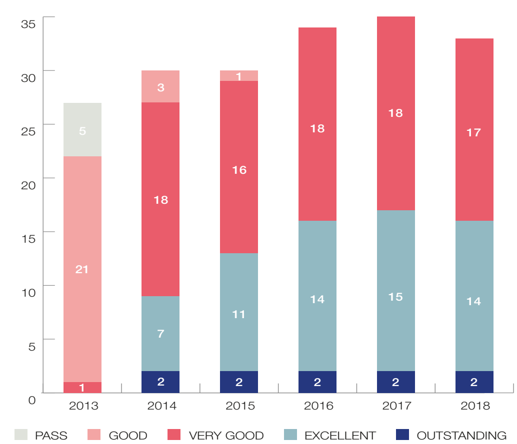
The BREEAM In-Use certification process assesses an asset's environmental performance in three key areas:
- Part 1 – Asset: the inherent performance characteristics of the building,
- Part 2 – Building Management: the Management policies, procedures and practices related to the operation of the building,
- Part 3 – Occupier Management: the tenant's understanding and implementation of management policies, procedures and practices.

BREEAM In-Use certifications have been earned by SFL assets as follows:
- 18 buildings have been certified BREEAM In-Use Part 1,
- 14 buildings have been certified BREEAM In-Use Part 2,
- 1 building has been certified BREEAM In-Use Part 3.

Our objective is for each successive audit to result in a rating upgrade. All of the certifications (Part 1, 2 and/or 3) have been rated Very Good or higher since 2016.

Of the total certifications (Part 1, 2 and 3) earned as of end-2018:
- 51% are rated Very Good,
- 42% are rated Excellent,
- 6% are rated Outstanding.

NUMBER OF BREEAM IN-USE CERTIFICATIONS (PART 1, 2 AND/OR 3) BY LEVEL



The unique scope of the certification exercise and the exceptionally high levels have been recognised by the BREEAM and the GRESB since 2016. After winning the GRESB-BREEAM Award for Responsible Investment in the Large Portfolios (over €1 billion) category in 2017, SFL was once again one of the five nominees in 2018.

4.6.2 Earning triple certification for redevelopments

SFL's major redevelopment projects in empty buildings have all earned triple certification, with the certificates earned varying according to each asset's unique characteristics.

Certifications and labels are chosen to meet specific building characteristics as closely as possible. In this way, they support the building's market positioning, while challenging its management teams and demonstrating its most innovative features.

One prime example is Biome, which will be certified BiodiverCity® Excellent, highlighting its extensive landscaping and greenery. It will also be one of the very first buildings to obtain BBC Rénovation energy efficient building certification, to express the ambitious vision that guided the SFL energy teams in working on the project.

(1) In the case of buildings for which the recertification audit was still in progress at year-end, the published rating was the one awarded after the last audit.

The three redevelopment projects are now in the process of seeking the following certifications:

– 83 Marceau
- HQE Rénovation 2015 Passport – Exceptional.
- BREEAM Europe Commercial Refurbishment 2015 – Excellent rating.
- LEED V4 Core and Shell – Gold rating.
- BBC Effinergie Rénovation, awarded to buildings that use 40% less energy than the RT regulatory benchmark.
- RT2012 – 20%.

– Biome
- HQE Rénovation 2015 Passport – Exceptional.
- BREEAM Europe Commercial Refurbishment 2015 – Excellent level.
- LEED V4 Core and Shell – Gold rating.
- BBC Effinergie Rénovation, awarded to buildings that use 40% less energy than the RT regulatory benchmark.
- RT2012 – 20%.
- BiodiverCity® Excellent.

– Louvre Saint-Honoré
- BREEAM Europe Commercial Refurbishment 2015 – Very Good rating.
- LEED and HQE not applicable because the property is partly occupied.

NUMBER OF BUILDINGS-IN-USE AND PERCENTAGE OF PORTFOLIO (IN SQ.M.) CERTIFIED BY TYPE AND LEVEL OF CERTIFICATION
EPRA code: CERT-TOT

<table>
<tr><th colspan="4"></th><th colspan="2">2016</th><th colspan="2">2017</th><th colspan="2">2018</th></tr>
<tr><th colspan="4"></th><th>Number of assets</th><th>% of sq.m.</th><th>Number of assets</th><th>% of sq.m.</th><th>Number of assets</th><th>% of sq.m.</th></tr>
<tr><td rowspan="10">Absolute</td><td rowspan="4">Assets in-use</td><td rowspan="4">BREEAM In-Use</td><td>Total</td><td>19</td><td>100%</td><td>19</td><td>100%</td><td>18</td><td>100%</td></tr>
<tr><td>Good</td><td>0</td><td>0%</td><td>0</td><td>0%</td><td>0</td><td>0%</td></tr>
<tr><td>≥ Very Good</td><td>19</td><td>100%</td><td>19</td><td>100%</td><td>18</td><td>100%</td></tr>
<tr><td>≥ Excellent</td><td>6</td><td>47%</td><td>7</td><td>54%</td><td>7</td><td>55%</td></tr>
<tr><td rowspan="4">Assets in-use with a refurbishment & fit-out certificate</td><td colspan="2">At least one refurbishment & fit-out certification</td><td>6</td><td>29%</td><td>6</td><td>24%</td><td>5</td><td>22%</td></tr>
<tr><td colspan="2">BREEAM New Construction</td><td>3</td><td>21%</td><td>2</td><td>12%</td><td>2</td><td>12%</td></tr>
<tr><td colspan="2">LEED</td><td>2</td><td>18%</td><td>1</td><td>10%</td><td>1</td><td>10%</td></tr>
<tr><td colspan="2">HQE</td><td>5</td><td>27%</td><td>5</td><td>21%</td><td>4</td><td>19%</td></tr>
<tr><td rowspan="2"></td><td colspan="2">Number of buildings</td><td colspan="2">19/19</td><td colspan="2">19/19</td><td colspan="2">18/18</td></tr>
<tr><td colspan="2">% of sq.m.</td><td colspan="2">100%</td><td colspan="2">100%</td><td colspan="2">100%</td></tr>
</table>

5. Green value of our properties

By carefully managing building energy and water use, deploying initiatives to combat climate change and addressing biodiversity and CSR issues in its capital projects, SFL ensures that its buildings will be operated and occupied sustainably, helping to drive the creation of value across the entire portfolio.

This "green value" is an important argument in our discussions with stakeholders, especially the young talents employed by our tenants. It is assessed based on the buildings' occupation density, the quality of building amenities and the value added for occupants.

To maximise green value, SFL has set ambitious targets for reducing energy and water use and greenhouse gas emissions by 2020 compared to the 2011 baseline.

After seven years, the outcomes have amply justified this ambition, with energy use intensity reduced by 18% and carbon intensity by 37% like-for-like.

5.1. Sustainable building operation

5.1.1 Energy efficiency

Final energy use by the properties owned and managed by SFL in 2018 represented some 73 GWh, of which 53 GWh (73%) concerned common areas and heating and air-conditioning delivered to tenant areas.

Electricity accounted for nearly two-thirds of final energy while fossil fuel use was marginal, accounting for less than 1% of the total.

SFL is committed to increasing the proportion of low carbon sources in the energy mix.

In April 2018, the last fuel oil-fired boiler in the portfolio was replaced by a similar unit running on natural gas.

In the same way, since 1 January 2018, a new power supply contract with French national power utility EDF has guaranteed that 30% of SFL's electricity will be from renewable sources.

Lastly, negotiations are under way with the Climespace district cooling network operator so that eventually more of our buildings can supply their air conditioning systems from the network, whose emission factor was an especially low 7 g CO_2e/kWh in 2018.

ENERGY USE BY TYPE OF ENERGY IN MWH OF FINAL ENERGY, ABSOLUTE AND LIKE-FOR-LIKE, AND ENERGY USE INTENSITY IN KWH/SQ.M.
(not climate adjusted)
EPRA code: Elec-Abs, DH&C-Abs, Fuels-Abs, Elec-LfL, DH&C-LfL, Fuels-LfL, Energy-Int

		Common areas and shared services			Tenant areas			Total					EPRA code
		2016	2017	2018	2016	2017	2018	2016	2017	2018	% 17/18	% 16/18	
Absolute	Electricity	20,079	29,216	27,778	18,844	20,223	20,013	38,923	49,439	47,791			*Elec-Abs*
	District heating systems	8,479	11,907	13,635	0	0	0	8,479	11,907	13,635			*DH&C-Abs*
	District cooling systems	9,550	10,228	11,317	0	0	0	9,550	10,228	11,317			
	Natural gas	0	0	0	0	0	0	0	0	0			*Fuels-Abs*
	Fuel oil	704	612	674	0	0	0	704	612	674			
	Total energy use in MWh	**38,812**	**51,962**	**53,405**	**18,844**	**20,223**	**20,013**	**57,656**	**72,185**	**73,417**			
	Intensity in kWh/sq.m.							**257.6**	**258.7**	**265.1**	***2.5%***	***2.9%***	*Energy-Int*
	Number of buildings							*11/11*	*15/15*	*14/14*			
	% of sq.m.							*100%*	*100%*	*100%*			
Like-for-like	Electricity	19,528	19,220	18,702	17,978	17,445	17,568	37,506	36,664	36,270	*- 1.1%*	*-3.3%*	*Elec.-LfL*
	District heating systems	7,815	8,449	10,990	0	0	0	7,815	8,449	10,990	*30.1%*	*40.6%*	*DH&C-LfL*
	District cooling systems	9,550	9,329	10,003	0	0	0	9,550	9,329	10,003	*7.2%*	*4.7%*	
	Natural gas	0	0	0	0	0	0	0	0	0			*Fuels-LfL*
	Fuel oil	704	612	674	0	0	0	704	612	674	*10.3%*	*- 4.3%*	
	Total energy use in MWh	**37,597**	**37,609**	**40,369**	**17,978**	**17,445**	**17,568**	**55,575**	**55,054**	**57,937**	***5.2%***	***4.3%***	
	Intensity in kWh/sq.m.							**248.3**	**248.3**	**261.4**	***5.3%***	***5.3%***	*Energy-Int*
	Number of buildings								*10/10*				
	% of sq.m.								*100%*				

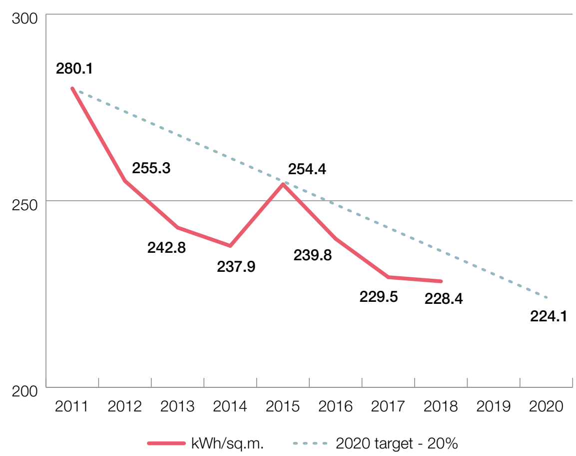
On a like-for-like basis, total energy use from all sources rose by 4.3% from 2016 to 2018.

The increase was primarily attributable to weather conditions. 2018 was the hottest year ever recorded in France, while the winter was also cold and long. Energy used for heating and air conditioning rose sharply like-for-like over the period, by 40.6% and 4.7%, respectively.

This considerably offset the 3.3% decline in electricity use over the period.

In analysing consumption data, climate influence is an important parameter. For example, adjusted for the climate and the occupancy rate, energy use intensity in kWh/sq.m. declined by 18% like-for-like from 2011 to 2018, bringing the 2020 target of a 20% reduction within close reach.

ANNUAL CHANGE IN ENERGY USE INTENSITY BETWEEN 2011 AND 2018 ON A LIKE-FOR-LIKE BASIS IN KWH/SQ.M., ADJUSTED FOR OCCUPANCY RATES AND CLIMATE



Climate-adjusted energy use fell for all seven properties owned since 2011 that constitute the comparable portfolio. These reductions attest to the effectiveness of the measures taken by SFL teams to optimise energy use.

We have also noticed that energy use intensity is rising across the portfolio. Recent renovations and redevelopments show that tenant energy needs are trending upwards, led by the increase in floor plate density and the introduction of new amenities, such as new meeting rooms, foodservices, fitness rooms, break areas and other user services. These new ways of using offices mean that energy use may increase in gross value, making the commitment to optimised energy efficiency even more critical.

Improving the energy performance of SFL properties

We have several levers for improving our portfolio's energy efficiency. The first step, however, is to better understand each building's energy use profile and specific features. We have developed a structured approach to acquiring this understanding, based notably on the following:

– Automating the reporting of billing data, to facilitate the consolidation process and leave more time for the collection and analysis of data at lower metering levels.
– Analysing energy data in relation to its use, with a critical review of the volume and relevance of reported data in relation to its use (private use broken down between non-food retail, restaurants, showrooms, etc., offices, trading rooms, private or shared conference centres).
– Measuring overall energy performance, including energy use in tenant areas in directly managed multi-tenant buildings, actual energy use data is reported for most of the leased surface area, and the percentage of reporting tenants has increased sharply in recent years.
– Deploying Energy Performance Improvement Master Plans, which should help to optimise capital spending and asset modernisation plans through targeted initiatives focused on the following areas:
  • revamping building management systems (BMS),
  • optimising air handling unit flow rates,
  • managing lighting in car parks and common areas,
  • breaking down energy use by destination,
  • raising occupant awareness.
– Encouraging partner building managers to find ways to reduce energy use, in particular by contractually requiring them to submit regular activity reports.

5.1.2 Managing water use

The buildings owned and managed by SFL used nearly 160,000 cu.m. of water in 2018, representing less than 22 litres per user per day.

SFL buildings are supplied exclusively by the city water system, which sources water from aquifers and rivers, makes it potable and then distributes it to the buildings' water supply connections.

We are endeavouring to improve rainwater recovery at our various sites, when this is technically feasible and the costs do not outweigh the benefits. Currently, three buildings have rainwater recovery systems: 92 Champs-Élysées, Washington Plaza and, since its redevelopment in 2015, #cloud.paris. At Washington Plaza, nearly 338 cu.m. of rainwater were recovered in 2018 versus 1,340 cu.m. in 2017, 800 cu.m. in 2016 and 190 cu.m. during the three months that the system was in operation in 2015.

Lastly, all of our buildings are located in Paris or the Paris region and are not exposed to water stress risk as defined by the World Resources Institute.

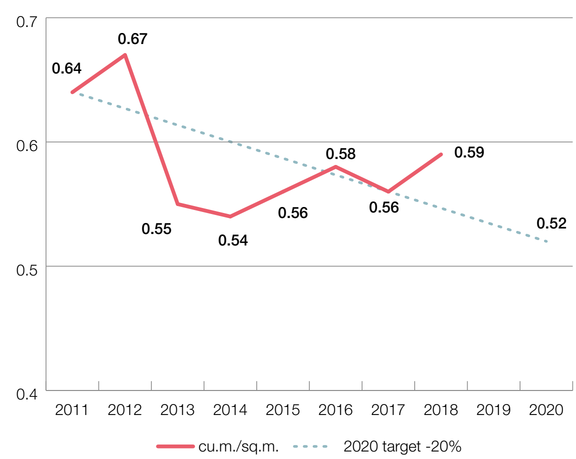
WATER USE AND WATER USE INTENSITY (COMMON AND TENANT AREAS COMBINED) IN CU.M., CU.M./SQ.M., AND LITRES/USER/DAY, ABSOLUTE AND LIKE-FOR-LIKE
EPRA code: Water-Abs, Water-LfL, Water-Int

			2016	2017	2018	*% 17/18*	*% 16/18*	*EPRA code*
Absolute	**Total municipal water use in cu.m.**		130.819	154,304	158,482			*Water-Abs*
	Intensity	in cu.m./sq.m.	0.585	0.553	0.572	*3.4%*	*-2.2%*	*Water-Int*
		in litres/user/day	21.0	21.4	21.9	*2.2%*	*4.4%*	
	Coverage rate	Number of buildings	11/11	15/15	14/14			
		% of sq.m.	100%	100%	100%			
Like-for-like	**Total municipal water use in cu.m.**		123,991	125,371	132,589	*5.8%*	*6.9%*	*Water-LfL*
	Intensity	in cu.m./sq.m.	0.576	0.544	0.610	*12.1%*	*5.9%*	*Water-Int*
		in litres/user/day	20.2	20.8	21.7	*4.1%*	*7.4%*	
	Coverage rate	Number of buildings		10/10				
		% of sq.m.		100%				

On a like-for-like basis, water use rose by 5.8% year-on-year in 2018, due to the sharp increases reported from two buildings in the portfolio: (i) Édouard VII, whose consumption rose by 8,500 cu.m. out of a total 44,841 cu.m. when a cooling plant switched into backup mode; and (ii) Cézanne Saint-Honoré, whose consumption rose by 2,500 cu.m., but where the metered figure provided by the water company was lower than actual use.

SFL maintains the objective of reducing its water use intensity by 20% like-for-like between 2011 and 2020. By 2018, the reduction stood at 8.8% for the period.

ANNUAL CHANGE IN WATER USE INTENSITY BETWEEN 2011 AND 2018 LIKE-FOR-LIKE IN CU.M./SQ.M., ADJUSTED FOR OCCUPANCY RATES



5.1.3 Waste sorting and recycling

Tenant activities in the eight buildings owned and managed by SFL in 2018 produced more than 800 tonnes of waste (NHIW, paper and cardboard) during the year.

On a like-for-like basis, the amount of waste declined by nearly 10%, to 30 kg per person per year. The improvement was particularly noticeable in the Édouard VII complex, where a change in service provider in June 2018 had an impact on the reporting process.

WASTE MANAGEMENT IN TONNES AND PERCENTAGE BY TYPE OF DISPOSAL METHOD, ABSOLUTE AND LIKE-FOR-LIKE
EPRA code: Waste-Abs and Waste-LfL

			2017				2018				
			NHIW	Paper, cardboard	Total	Recycled waste and waste incinerated with energy recovery	NHIW	Paper, cardboard	Total	Recycled waste and waste incinerated with energy recovery	EPRA code
Absolute	Waste	in tonnes	657	306	963	370	560	244	804	319	Waste-Abs
		in %	68%	32%	100%	38%	70%	30%	100%	40%	
		Number of buildings	*9/15*				*8/14*				
		% of sq.m.	*85%*				*84%*				
Like-for-like	Waste	in tonnes	606	283	889	296	560	244	804	319	Waste-LfL
		in %	68%	32%	100%	33%	70%	30%	100%	40%	
		Number of buildings	*8/14*				*8/14*				
		% of sq.m.	*84%*								

Users in all of our buildings are offered a range of sorting solutions, particularly for paper and cardboard, with the result that 30% of waste is sorted directly on-site.

We then ensure that the sorted waste is recycled or otherwise re-used, as appropriate, by the contractors responsible for its collection. In this way, 40% of waste was recycled or incinerated with energy recovery in 2018.

Thanks to the close collaboration with the contractors responsible for waste collection and sorting, the coverage rate of waste production reporting systems has improved in recent years, to the point that every SFL-managed building served by private waste management contracts is now included in the scope of reporting.

All buildings managed by SFL for which private waste management contracts have been signed are now included in the reporting scope. Nevertheless, the overall coverage rate stands at 57%, because waste from six buildings is collected directly by the City of Paris, leaving SFL without any data on the amount of waste or its treatment.

Promoting the circular economy at worksites

Waste materials are recovered and recycled on every SFL-managed worksite. Contractors are actively encouraged to recycle and reuse waste and materials.

On the Biome project, for example, 96.06% of all waste produced during the cleaning and site preparation phase was recovered and reused, for a total of 5,500 tonnes.

We also deploy a site charter at all redevelopment, modernisation and renovation worksites, covering waste management processes, the choice of materials, disamenity tracking and pollution limitation.

In the same way, for the project to renovate 4,500 sq.m. of offices in the Washington Plaza, an audit was performed to identify the components of the finishing works and utility equipment that could be recovered and reused.

5.2. Carbon efficiency of our properties

SFL has embraced the worldwide commitment to managing and reducing greenhouse gas emissions, in accordance with the COP21 agreement. Our ambitious objectives are fully aligned with the international commitments given at the Paris climate conference and the trajectory to keep global warming below 2°C.

On a like-for-like basis, the carbon intensity of our assets caused by energy use has fallen by a steep 37% since 2011.

SFL is also extending its carbon footprint measurements to include emissions from visitor travel and from its redevelopment sites.

Lastly, we have also performed a detailed analysis of our buildings' resilience and ability to adapt to climate change, in order to anticipate a possible increase in the incidence of exceptional weather events.

5.2.1 Reducing Scope 1 & 2 greenhouse gas emissions

Carbon emissions from the buildings managed by SFL represented 4,671 tCO_2e in 2018, of which only 183 tonnes from Scope 1 sources.

In line with GHG Protocol recommendations, emissions from tenant energy use are recorded in Scope 3 emissions, in the 13th category, Downstream Leased Assets.

On a like-for-like basis, emissions declined sharply in 2018, by nearly 400 tCO_2e.

SFL's energy choices are helping to combat climate change, particularly with the new power supply contract guaranteeing that 30% of the electricity used in its directly managed properties will be from renewable sources.

The coming years will see further steep reductions in these emissions now that the last fuel oil-fired boiler has been replaced with a natural gas unit (in spring 2018) and eligible assets are being gradually connected to the district cooling network (which has a very low emission factor).

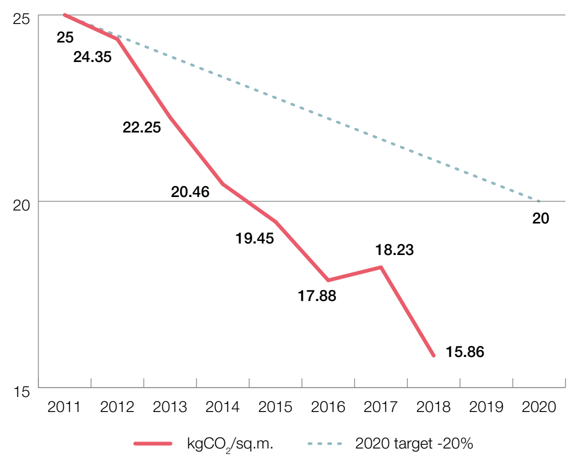
GREENHOUSE GAS EMISSIONS FROM ENERGY USE IN TCO_2E, ABSOLUTE AND LIKE-FOR-LIKE, AND GREENHOUSE GAS EMISSIONS INTENSITY IN $KGCO_2E$/SQ.M.
(not climate adjusted)
EPRA code: GHG-DirAbs, GHG-Indir-Abs, GHG-Int

			Common areas and shared services			Tenant areas			Total					EPRA code
			2016	2017	2018	2016	2017	2018	2016	2017	2018	*% 17/18*	*% 16/18*	
Absolute	Scope 1		192	166	183	0	0	0	192	166	183			*GHG-Dir-Abs*
	Scope 2		2,384	3,553	3,038	0	0	0	2,384	3,553	3,038			*GHG-Indir-Abs*
	Scope 3		550	775	558	1,079	1,127	892	1,629	1,903	1,450			
	Total GHG emissions in tCO_2e		**3,125**	**4,494**	**3,779**	**1,079**	**1,127**	**892**	**4,204**	**5,622**	**4,671**			
	Intensity	in $kgCO_2e$/sq.m							**18.8**	**20.1**	**16.9**	***-16.3%***	***-10.2%***	*GHG-Int*
		Number of buildings							*11/11*	*15/15*	*14/14*			
		% of sq.m.							*100%*	*100%*	*100%*			
Like-for-like	Scope 1		192	166	183	0	0	0	192	166	183	*10.3%*	*-4.3%*	
	Scope 2		2,244	2,474	2,344	0	0	0	2,244	2,474	2,344	*-5.2%*	*4.5%*	
	Scope 3		528	539	451	1,029	972	783	1,557	1,512	1,233	*-18.4%*	*-20.8%*	
	Total GHG emissions in tCO_2e		**2,963**	**3,179**	**2,978**	**1,029**	**972**	**783**	**3,992**	**4,152**	**3,761**	***-9.4%***	***-5.8%***	
	Intensity	in $kgCO_2e$/sq.m.							**18.5**	**19.5**	**17.3**	***-11.4%***	***-6.8%***	*GHG-Int*
		Number of buildings								*10/10*				
		% of sq.m.								*100%*				

Carbon emissions intensity down 37% since 2011

Carbon emissions intensity in $kgCO_2e$/sq.m. (adjusted for occupancy rates and climate) was down by 37% in 2018 compared to the 2011 baseline, amply exceeding the 2020 target of a 20% like-for-like reduction.

ANNUAL CHANGE IN CARBON INTENSITY BETWEEN 2011 AND 2018, LIKE-FOR-LIKE, IN $KGCO_2E$/SQ.M., ADJUSTED FOR OCCUPANCY RATES AND CLIMATE



5.2.2 Measuring and managing the broader carbon footprint

Since 2012, SFL has tracked the carbon footprint of its buildings, including the Scopes 1 & 2 emissions from energy use (see above).

The two largest sources of Scope 3 emissions are also tracked.
- The carbon impact from travel by managed building occupants is calculated from the results of surveys measuring customer satisfaction.
- Emissions from major redevelopment works are calculated directly.

The average carbon intensity of SFL assets is much lower than the average for the entire French office sector (19.7 $kgCO_2e$/sq.m. versus 30.5 $kgCO_2e$/sq.m. for emissions from building energy use and 30 $kgCO_2e$ versus 95 $kgCO_2e$ for emissions from occupant travel).

5.2.3 Making properties more climate resistant

SFL assets are exposed to the effects of climate change and the growing number of exceptional weather events it may cause. In response, climate risks have been analysed in accordance with ADEME recommendations, in order to comply with regulatory standards, prepare for the properties' technical obsolescence and, in this way, guarantee the sustainable quality of the occupant experience.

As part of this process, all of the SFL buildings were reviewed to determine their resilience to floods, heat waves, storms and other weather events, by identifying the possible impacts on each one's superstructure and shell, plumbing, electricals, HVAC, landscaping and exterior fixtures.

5.3. Sustainable capital expenditure and procurement

As a leading property company with a long-term vision, SFL uses its capital expenditure strategy to improve the quality of its assets and to ensure their sustainability. Sustainability extends the properties' useful lives and guarantees their alignment not only with tenant needs but also with the urban fabric, as well as with the long-term outlook in terms of accessibility, energy use and adaptability in the face of climate change.

5.3.1 CSR embedded in every phase of a building's life cycle

The starting point for our sustainable capital expenditure strategy consists of investing in properties with excellent fundamentals that can be adapted to the needs of different types of users and different working practices that are likely to change over time. Each time, we work with a new team of prime contractors, design engineers and designers to invent buildings that will stand the test of time.

We are committed to managing the CSR performance of operating expenditure and renovation, refurbishment and redevelopment capital expenditure by assessing the CSR aspects of each outlay. This process builds upon the sustainable procurement policy applied in every aspect of our business.

Acquisitions

Potential acquisitions are analysed according to a variety of closely related criteria, which are all designed to ensure the investment's sustainability by determining the building's ability to deliver, over the long term, the increasingly demanding performance that tenants expect from their offices.

Based on a wide range of internal and external surveys of tenant aspirations, the main criteria are: (i) location (close to public transport, recognised address, visibility), which remains the primary criterion for companies; (ii) the ability to offer a superior real estate product (high ceilings, large horizontal floor plates, windows and other openings, capacity ratio, etc.); (iii) the ability to offer the latest amenities; and (iv) the ability to obtain outstanding environmental certifications, both for the building and its operation.

Redevelopment projects

A technical and innovation watch is organised by SFL_le_lab and SFL_le_studio in order to embrace the most innovative practices as early as possible. In 2017 and 2018, discussions and reviews also concerned the creation of planted roof terraces, solutions to enhance the value of underground levels and the creation of models using 3-D BIM software.

5.3.2 Involving service and goods suppliers in a process of continuous improvement

We pay particular attention to applying sustainable and responsible procurement processes and to maintaining sustainable and responsible relations with service and goods suppliers.

Our strategy in this area is led by the Environment and Sustainable Procurement Manager. It includes measuring the total cost of purchases and aims to manage environmental impacts throughout the value chain.

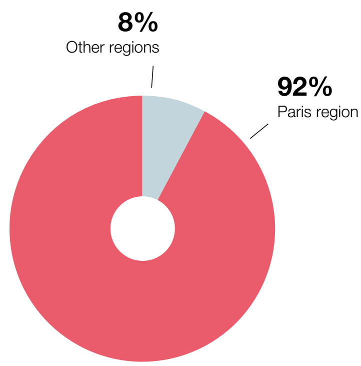
Key aspects of the strategy include:
- Integrating CSR criteria in the supplier selection process,
- Updating operator and contractor specifications to include CSR performance indicators,
- Demonstrating best-in-class supplier management performance,
- Analysing opportunities for improvement,
- CSR performance tracking,
- Monitoring technical and environmental developments.

Best-in-class supplier selection and monitoring processes

Strict rules apply to the selection and approval of suppliers. To avoid inappropriate use of sub-contractors, the sub-contracting pyramid is limited to a maximum of two levels.

Special attention is also paid to suppliers' country of origin, with priority given to local companies and contractors. For example, in 2018, 92% of our suppliers were based in the Paris region.

SUPPLIER LOCATION – 2018



Suppliers play an extensive role in our processes to drive continuous improvement and performance.

Multi-technical maintenance providers, for example, have undertaken to embrace our CSR commitment. We also ensure that their sub-contractors participate in this process. In practice, maintenance providers submit technical recommendations that encourage responsible behaviour, notably in the following areas:
– Optimising energy and fluids use,
– Using eco-friendly cleaning products.
– Reducing packaging and waste,
– Enhancing the occupant experience,
– Increasing the scores for BREEAM In-Use certifications.

For redevelopment projects, enhanced communication channels have been deployed to ensure that the work is carried out safely and smoothly. Health and safety procedures include:
– Environmental training and information,
– The use of badges to identify employees,
– Risk prevention measures,
– On-site presence of first-aiders and first-aid equipment,
– An incident archiving system.

Contractors are also issued dedicated handbooks containing:
– Information on staggered breaks,
– Restrictions concerning the use of radios,
– Practical information about site organisation (sanitary facilities, access, opening hours, etc.).
– Instructions for personal protection equipment in compliance with the applicable regulations.

These documents are translated into the second most commonly used language on the site in order to ensure a high level of understanding. In the same way, on-site information notices and signage are also translated into several languages.

5.4. Biophilia

SFL understands biophilia as the opportunity to reconnect with nature thanks to a building's architecture.

Our properties are located in Paris or the inner suburbs, in a dense and often restrictive urban environment. The presence of quiet, peaceful, healthy gardens whose greenery and water features attract insect and bird life therefore helps to create value in our buildings, especially when they offer users the possibility of reconnecting with their surroundings.

Among the preferred ways to deliver this experience are green walls and roof gardens, which enable us to meet the rising expectations of our tenants and their employees, adapt our buildings to climate change and preserve urban biodiversity.

5.4.1 Landscaping, an essential part of every redevelopment project

Green spaces, plants and landscaping are a distinguishing feature of the current Biome redevelopment project. The weighted landscaped area will be almost doubled, to nearly 1,700 sq.m. in the end, and 20 ordinary trees will be replaced by a diversity of 35 trees and 25 shrubs. In addition, the project is seeking BiodiverCity® Excellent certification.

Previously, a plant and water-based landscape was also recreated around the Le Vaisseau building in Issy-les-Moulineaux, with wide pontoon terraces near the Seine bringing users close to the calming presence of water.

In the 9 Percier paved seating areas, the original art deco mosaics have been given a facelift and the fountain in the main patio has been restored. Our tenants have the use of these paved areas, which feature plants, trees and garden furniture.

5.4.2 Increasing planted and landscaped areas in properties in-use

As of end-2018, green walls and other planted areas represented some 8,500 sq.m. or more than 9% of the portfolio's total footprint.

We plan to increase planted areas to 11% of the portfolio's footprint by the end of 2020.

As part of this commitment, two green walls covering 34 and 32 sq.m. respectively have been installed in the interior courtyards of the Cézanne Saint-Honoré complex.

In addition, landscaping the extremely stony courtyard of the Édouard VII complex in 2018 enabled the planting of six trees and 35 bushes in a 25 sq.m. green space.

In line with our goal of preserving and enhancing biodiversity in our buildings, these planted areas will also provide protected habitats for animal species used to living in an urban environment. SFL also systematically applies City of Paris biodiversity recommendations concerning nesting areas for birds and insect hotels. Lastly, our green space operating contracts include a "zero pesticides" approach to ensure that these areas do not generate any health risk.

6. Human value

Corporate social responsibility is about a lot more than environmental issues. It also covers such human and societal issues as the quality of worklife, the quality of supplier relations, the ability to attract and retain talented employees and compensation systems.

SFL had 68 employees at 31 December 2018, of whom 66 work in the head office at 42 rue Washington in Paris and two are based in the building at 176, avenue Charles de Gaulle in Neuilly-sur-Seine.

Women make up the majority of the workforce, at 65% of the total, and 78% of employees are classified as managers.

In addition to company agreements, employees are covered by two collective bargaining agreements: the National Collective Agreement for the Property Industry and the National Collective Agreement for Building Caretakers, Concierges and Employees.

6.1. Business ethics

Every new hire receives a copy of the SFL code of conduct, attached to his or her employment contract. The code specifies the principles and practices that employees are expected to demonstrate in our business activities, in such areas as transparency, professional integrity, fraud prevention, non-discrimination and legal and regulatory compliance.

SFL complies with the provisions of the code of conduct for SIIC real estate companies, which covers issues like the selection and rotation process used for the independent portfolio appraisers.

Employees may contact the Internal Control Department if they have any questions about professional ethics or conduct. No cases of bribery came to light in 2018 and the Group was not subject to any disciplinary measures. No political donations were made, in accordance with French legislation, which bans such practices.

6.1.1 Ethics in the SFL value chain

Measures are also in place to ensure that employees as well as suppliers uphold the Fundamental Conventions of the International Labour Organization (ILO) in the areas of:
– Freedom of association and collective bargaining,
– Eliminating discrimination in respect of employment and occupation,
– Eliminating forced and compulsory labour,
– Effectively abolishing child labour.

Other than in exceptional cases, every supplier, irrespective of the type of goods or services provided, is subject to a number of obligations under applicable labour legislation, particularly as regards clandestine labour and the employment of foreign workers.

Failure of any supplier to comply with these legal or regulatory obligations could expose SFL to the risk of legal and/or financial sanctions, a situation that has led to a review of our practices in this area.

French legislation prohibits clandestine labour and the employment of undocumented foreign workers.

As a disincentive, legal liability is assigned at two levels:
- The company that fails to report an employee or employs an undocumented worker is subject to criminal, administrative and financial sanctions,
- Co-contractors can also be held financially liable, i.e., any co-contractor which, when a contract for the provision of work or services is signed, does not verify that the other contractor has made all the applicable declarations and is up to date with its social security contributions. Compliance checks have to be performed every six months throughout the term of the contract.

6.1.2 Tracking the ethical and human performance of suppliers

To avoid any risk of non-compliance and meet our obligations concerning supplier employee documentation, SFL:
– Uses a collaborative, web-based platform on which suppliers submit the necessary documentation,
– Includes a standard contractual clause in every contract worth more than €3,000 (excl. VAT).

The dedicated platform enables suppliers to submit, simply and free of charge, all of their employee and tax-related documentation as well as any required certificates and statements concerning their technical capabilities and financial condition. It manages all of the administrative documents, verifies that they are complete, and if necessary sends reminders to the suppliers concerned. This enables us to check compliance at any time, both of existing suppliers and potential new suppliers if they are included in the database.

In 2018, we pursued the supplier selection process based on their APE business code, which provides an indicator of their potential exposure to the risk of employing undocumented workers.

6.2. Attracting talent and developing employee skills

In view of SFL's size and the structure of its workforce, developing skills and being able to attract and retain talent is a key challenge.

In response, we spend the equivalent of more than 2.5% of total payroll on training each year and offer competitive, incentivising compensation packages.

6.2.1. Attracting and retaining talent

Eleven new employees joined our corporate community in 2018, of whom eight under permanent contracts and three under fixed-term contracts, while fourteen people left during the year.

Based on the average number of employees in 2018 (70.25) and the number of employees under permanent contracts who were hired or left during the period, the turnover rate was 12.81%, versus 7.38% in 2017[1].

The average seniority of employees on the payroll at 31 December 2018 was 11 years.

(1) Turnover calculation formula: (Number of separations during the period + number of new employee hires during the period)/2/average number of employees over the period.

Hiring, separation and workforce data at 31 December 2018 are presented in detail in the table of EPRA employee indicators below, pages 62 to 63.

In 2018, SFL initiated discussion on upgrading the annual performance and biennial career development review process to improve the experience and make it more effective.

As part of a collaborative approach, a working group of managers and employees was tasked with issuing recommendations, which led to the development of a new application.

In addition to the various technical improvements in the application (new features, change of supplier), each manager in charge of leading reviews attended a training course designed to help him or her to:
– Optimise preparation for the review,
– Understand the structure of the review and its stages,
– Objectively assess performance,
– Set goals,
– Improve listening skills to enhance the review experience,
– Discover the main components in the new review package.

Deployed in late 2018, the new application supported both the annual performance reviews and the career development reviews that are scheduled every two years.

6.2.2. Remuneration and benefits

To encourage our employees' professional growth and engagement, policies are in place to offer them fair, attractive and incentivising remuneration.

Direct remuneration

Each employee is paid a salary and a variable performance-based bonus. The 2018 target bonus represented on average 15.65% of the employee's salary (excluding Management Committee members).

For employees on payroll at 31 December 2018, total remuneration for the year (salary and bonus) averaged €66,960 again excluding Management Committee members.

Indirect remuneration

A total of €2,543,946 was paid out to employees in 2018 (€840,720 in 2017) under discretionary and non-discretionary profit-sharing plans. This was an exceptional amount, which resulted from the disposal of a strategic real estate asset during the year.

In addition, negotiations concerning employee savings undertaken in 2018 led to the signature of an addendum to the Employee Sharesave Plan (PEE) and the Group Pension Savings Plan (PERCO), in order to optimise employee investment options under the plans. As a result, two new funds were added to the portfolio of corporate mutual funds offered to employees wishing to invest their personal savings or their profit-shares in one or both of the plans.

To encourage employees to save for retirement, the maximum matching payment in respect of voluntary employee investments in the PERCO was raised from €3,900 to €4,500 as of 1 January 2018.

Under this system, 53 employees invested in the PERCO pension savings plan in 2018, entitling them to an average matching contribution of €3,856 from SFL, up 21.65% from 2017.

All told, SFL's financial support for employees seeking to save for retirement amounted to €256,072 in 2018, versus €214,252 the year before.

In 2018, for the seventh year running, bonus shares were granted to employees under Plan no. 5, this time to 54 managers and corporate officers representing nearly 80% of the workforce on payroll at year-end.

Remuneration policies also cover a number of extra benefits, including a time savings account that converts unused leave entitlement into investments in the PERCO plan, service vouchers fully financed by the Company and the Works Council, and subsidised foodservices (meal vouchers and/or intercompany staff restaurants).

All of these various benefits are presented in the Personal Remuneration and Benefit Review prepared for each employee.

These annually issued reviews meet several objectives: to inform employees as clearly as possible about the Company's various remuneration systems and also to present the value of their total package (salary, bonus, other remuneration and benefits).

6.2.3. Training and skills development

In 2018, SFL invested the equivalent of 3.20% of the total payroll in training and skills development. As in 2017, this exceeded the 2.50% target set to support employee skills acquisition and/or development.

In all, more than 1,300 hours of training were offered to 56 employees, representing an average of 23 hours per trainee. The courses were primarily focused on asset management, financial management, law, business management, office technology, languages, security and safety.

Training data at 31 December 2018 are presented in detail in the table of EPRA employee indicators below, page 62.

6.3. Health, safety and quality of worklife

As key factors in making SFL a great place to work, health, safety and well-being represent major issues not only for employees, but also for the entire corporate community. With this in mind, these criteria have been fully integrated into our human resources policies, independently of any legal obligations. We are also committed to renewing the quality of worklife survey at least every two years, with the goal of ensuring compliance with the obligation to regularly assess workplace risks, while laying the foundations for the continuous improvement in the working environment.

Raising employee awareness of biodiversity and the environment

In 2018, SFL partnered with the Graine Île-de-France association to raise its employees' awareness of biodiversity, ecology and sustainable development. Awareness-raising and hands-on workshops were organised on such topics as organic farming (with the Île de France Organic Farmers Alliance), the use and production of household products (with the Bio Consom'actors association), and the diversified use of plants (with the Aventure Nomade association).

6.3.1. Health and safety

As was the case in past three years, there were no workplace accidents in 2018 and consequently, the accident frequency rate and severity rate were both zero for the year. In the same way, no commuting accidents were reported in 2018 and no occupational diseases were observed during the year.

In 2018, our employee health and safety policies were actively pursued, with:
– The participation of six employees in a new round of the Workplace First Responder training programme,
– The organisation of a new series of fire prevention training sessions in coordination with APAVE, a risk management consultancy.
– The renewal of authorisations for qualified employees to work on electrical installations and equipment.

6.3.2. Quality of working environment

Initiated in 2015, the programme to help prevent psychosocial risks and improve the quality of worklife led to the definition and deployment in 2016 of an action plan, which included the creation in 2017 of a working group tasked with holistically identifying ways to optimise the quality of worklife.

The Group's deliberations led to the signature, in December 2017, of a Group-wide quality of worklife agreement comprising the following main initiatives:
– Deployment of a specific induction process for new hires,
– Organisation of periodic meetings of all employees to inform them about significant events in the life of the Company,
– Initiatives to improve employees' comfort and well-being, for example by adding new amenities and equipment at the Company's head office, introducing rules governing the use of digital devices, and conducting surveys to assess the atmosphere in the workplace.

These various measures were deployed in 2018, except for the induction process, which is scheduled for introduction in 2019.

To measure employee well-being and engagement, in particular for the purposes of this report, SFL has chosen primarily to track the short-term absenteeism rate, based on the number of days lost to unauthorised absences of up to four days. In 2018, the rate stood at 0.70%, compared with 0.98% in 2017.

In 2018, the short-term absenteeism rate (less than four days, excluding authorised leave) came out at 0.70%, down from 0.98% in 2017.

6.3.3 Work/life balance

Two work/life balance agreements were signed with employee representatives in December 2017:
– An agreement relaxing the conditions for accumulating unused rights to paid leave in a Time Savings Account and for using the rights, to enable employees to transfer unused rest days to the account when their holidays are deferred for personal and family reasons.
– An agreement regulating professional use of digital devices and limiting employees' exposure to the risks of information overload, hyperconnectivity and poor work/life balance.

Organisation of working hours

As of 31 December 2018, SFL had 64 full-time employees and four part-time employees. The four part-time contracts correspond to employees who have chosen to work fewer hours, as opposed to being forced to for organisational or operational reasons.

6.4. Diversity and equal opportunity

Diversity and gender equality in the workplace is a major issue for employee development and business growth.

We have therefore reaffirmed our pledge to reject any and all forms of discrimination and our action to promote equal opportunity and diversity in the workplace.

In 2018, we undertook a certain number of initiatives to:
– Fulfil the undertakings in the gender equality in the workplace agreement (described in more detail below),
– Lock in our financial support for the disabled, which includes the grant made to the ADAPT non-profit organisation and our practice of buying goods and services from companies specialised in employing people with disabilities.

6.4.1 Gender equality

In December 2017, a new gender equality in the workplace agreement was signed, comprising a certain number of measures backed by improvement targets and indicators in the following areas:
– Hiring and job opportunities,
– Promotion opportunities thanks to ongoing skills development,
– Actual remuneration packages.

Recruitment

Objectives:
– To endeavour to obtain, as far as possible, an equal number of men and women candidates,
– To drive greater gender balance in the job classification grid.

In 2018, eight of the 11 employees hired under permanent or fixed term contracts during the year were women, of whom half were managers.

All of the seven people promoted as of 1 January 2018 were women.

At 31 December 2018, women accounted for 58.5% of SFL managers.

Training

Objectives:
– To ensure that men and women have equal access to training opportunities,
– To define with each employee returning from maternity, adoption or parental leave training courses to ease their transition back into the workforce,
– To identify and address any family-related issues employees may face while in training.

In 2018, women who participated in at least one training session or event during the year accounted for more than 60% of trainees and spent an average 26 hours in training (18 hours for men). Out of the average number of employees in 2018, 83% of men and 76% of women attended training sessions during the year.

Remuneration

Objectives:

– To guarantee that women and men who are hired for equivalent jobs are offered the same initial pay and that they continue to receive equal pay throughout their careers with the Group,
– To eliminate any distortions in remuneration resulting from parental-related leave.

As part of the statutory annual pay round in 2018, the opening of negotiations on the gender pay gap was duly minuted. At their conclusion, the parties noted that there was no form of gender discrimination and reaffirmed the need to apply the principle of equal pay when individual salary increases are awarded.

On a constant headcount basis, the average base salary (excluding bonuses) rose by 2.08% year-on-year in 2018, of which 1.59% for men and 2.36% for women.

Gender equality in the workplace data at 31 December 2018 (number of employees, training, remuneration) are presented in detail in the table of EPRA employee indicators below, page 62.

6.4.2 Other diversity indicators

Seniors and young people

SFL also attaches particular importance to combating age-based discrimination. The average age of employees is 45. As of 31 December 2018, employees aged 45 or older represented 54% of the workforce and people under 35 represented 21%.

People with disabilities

As part of its policy of supporting employment opportunities for people with disabilities, in 2018 SFL helped to finance the operating budget of ADAPT, a non-profit organisation working in this area, through an annual grant and the allocation of a portion of its apprenticeship tax due for the year.

During the year, we also commissioned services from ANRH, a company staffed by people with disabilities.

6.5. Corporate sponsorship and philanthropy

6.5.1 Community engagement

Fondation Palladio: Building the City of Tomorrow

In recent years, SFL has been a sponsoring partner of Fondation Palladio.

Fondation Palladio was set up in 2008 under the aegis of the Fondation de France to address a major challenge of the 21st century, that of developing urban areas and building communities. In its commitment to serving the public interest, the foundation offers a unique forum that brings together and engages all of the industries and professions involved in real estate and urban planning issues.

In 2018, with SFL's support, Fondation Palladio pursued its initiatives in favour of:

– Students, by enabling them to discover how a city is built and how they can contribute through their future career choices. Initiatives included organising the seventh annual Real Estate and Urban Planning Jobs Forum and the tenth annual Palladio University Students Evening; publishing the second edition of the *Real Estate and Urban Employment Monitor* in association with EY and Business Immo; and once again sponsoring the Training Zone at the SIMI Trade Show. Through the Avenir Palladio programme, the foundation also pursued its support commitment by sponsoring the Real Estate Industry Junior Award for the eleventh consecutive year and granting 14 Palladio Scholarships to students and doctoral candidates.
– Business leaders and decision-makers, by organising the Institut Palladio's seventh annual cycle of debates, sponsored by Johanna Rolland, Mayor of Nantes and President of the Greater Nantes Community, on the theme "Living in the City of Tomorrow."
– Doctoral and post-doctoral students, by offering them opportunities to publish their research with articles in the Cahiers Palladio, presented in the IEIF journal, *Réflexions immobilières*.

Pavillon de l'Arsenal, the Paris architecture and urban planning centre

SFL regularly supports Pavillon de l'Arsenal, the architecture and urban planning information, documentation and exhibition centre for the Paris metropolitan area.

Pavillon de l'Arsenal is a non-profit organisation, set up to promote information and knowledge among specialists and the general public about the capital and the surrounding area's architectural heritage and urban landscape and to help promote the city's architectural landmarks.

Its objectives are seamlessly aligned with SFL's history, which has been deeply rooted in the development of the Parisian urban landscape since the end of the 19th century.

City of Paris – Nuit Blanche

SFL supports the City of Paris' Nuit Blanche all-night performance festival, organised for the 17th time in 2018. The festival, which offers the public free access to an array of artistic events in the capital, for one night only.

In this way, we contribute to promoting Paris's cultural outreach, sometimes by organising events in our own properties, while supporting the creative arts and making them accessible to everyone, whatever their budget.

2018 Foulées de l'Immobilier run

A team of SFL runners participated in the 2018 Foulées de l'Immobilier race organised by students in a property management Master's programme at the University of Paris Dauphine, for the benefit of Fondation Dauphine's equal opportunity programme. Profits from the run help to fund housing scholarships for the masters students.

6.5.2 Community engagement initiatives

ADAPT: helping people with disabilities to take up their rightful place in society and find work

We have been supporting ADAPT for many years as part of our policy of promoting employment opportunities for people with disabilities.

For example, we contribute to the European Disability Employment Week organised by ADAPT since 1997. This annual event aims to raise awareness among companies and the public about the lack of work opportunities for people with disabilities.

7. Appendices

7.1. Methodological note

7.1.1 Methodology for calculating environmental and societal indicators

SFL has developed an internal reporting methodology that has standardised the data collection process, identified contributors and defined the verification method.

It also describes the applicable standards, particularly as found in the non-financial information regulatory framework and the EPRA's recommendations.

Lastly, it defines the scope of reporting.

Scope of reporting

SFL's portfolio comprises 20 buildings, representing a total surface area of 392,300 square metres.

Each indicator's scope of reporting is described in section 3.2 above. For example, the scope of reporting for energy and water use indicators excludes the buildings that are not operationally managed by SFL (because SFL does not manage their energy and water systems), buildings that have been vacated prior to redevelopment, buildings that are being redeveloped, and residential units.

Changes in scope of reporting

The number of buildings in the scope of reporting may change as a result of:
- Acquisitions or disposals: buildings sold during the year are removed from that year's scope of reporting. Properties acquired during the year are included in the scope only after a full year in use under SFL management.
- Redevelopments. Refurbished, delivered buildings that have been at least 60% let and in use for at least one full year are included in the scope.

Standardised surface area and occupancy rate calculations

The standard measure used to calculate building energy use intensity is the average useful surface area, expressed in square metres (sq.m.).

The occupancy rate used to adjust indicators corresponds to the average occupancy rate for the reporting year.

Reporting period

To enable the collection of data early enough to issue the report in a timely manner, the reporting period for the indicators measuring energy and water use, GHG emissions and waste production is now the rolling 12 months from 1 October to 30 September.

This period was applied to data reported for the periods ending 30 September 2016, 2017 and 2018.

All of the other environmental and societal indicators are reported for the calendar year.

Energy

Energy data is collected from the following sources and consolidated for each building:
- Meter readings,
- Property manager invoices excluding VAT,
- Data extracted from the property managers' databases via the client interface.

When an asset's total energy use is unknown, in particular for the tenant areas, it is estimated based on the energy typically used by the tenant's HVAC installations.

These estimates, which give a clearer picture of actual use and vary by building, are determined in partnership with an experienced energy analysis agency, based on the energy consumed in the areas used by SFL and other occupants, depending on the building.

The comparison between the baseline year and the reporting year factors in climate variability using unified degree days (baseline 18°C).

In analysing energy use, the baseline year is determined by the year the property was added to the scope of reporting.

Energy information by type and breakdown in destination between building utilities/common areas and tenant areas for each building in which SFL manages all of the energy and water use:

	Type of asset		Type of energy				
					Electricity		
			Heating (district heating network or natural gas/fuel oil-fired boilers)	District cooling network	Building utilities/ Common areas	Tenant areas Offices	Tenant areas Retail
176 Charles de Gaulle	Offices	Multi-tenant	"Fuel oil -> 04/18 05/18 ->Natural gas"	Not applicable			
Washington Plaza	Offices	Multi-tenant	Not applicable	Not applicable			
Édouard VII	Offices	Multi-tenant	CPCU	Climespace			
Rives de Seine	Offices	Single tenant	Not applicable	Not applicable			Not applicable
Cézanne Saint-Honoré	Offices	Multi-tenant	CPCU	Climespace			
Louvre Saint-Honoré	Offices	Multi-tenant	CPCU	Not applicable			
103 Grenelle	Offices	Multi-tenant	CPCU	Not applicable			
112 Wagram	Offices	Multi-tenant	CPCU	Not applicable			
92 Champs-Élysées	Offices	Multi-tenant	CPCU	Climespace			
Galerie des Champs-Élysées	Retail	Multi-tenant	CPCU	Climespace		Not applicable	
#cloud.paris	Offices	Multi-tenant	CPCU	Climespace			Not applicable
131 Wagram	Offices	Multi-tenant	Not applicable	Not applicable			Not applicable
9 Percier	Offices	Multi-tenant	CPCU	Not applicable			Not applicable
90 Champs-Élysées	Offices	Multi-tenant	CPCU	Climespace			Not applicable

Current scope of reporting for 2018

Building utilities/Actual consumption managed and paid by SFL and then reallocated:

Building utilities/Tenant areas

Consumption managed and paid directly by the tenant(s):

actual/estimated

Water use

Data are collected from the following sources:
- Water meters read by the multi-technical maintenance providers,
- Property managers' databases, extracted via the client interface.

Waste

Waste tonnage is determined based on reports provided by service providers and daily weighings of waste paper at the head office.

7.1.2 Methodology for calculating employee relations indicators

Details of the method used to calculate the employee relations indicators are provided following the description of the indicators in section 6 "Employee value," pages 54 to 58 above. Further details may also be found in the comments column in the EPRA indicators table on pages 62 and 63.

7.2. EPRA indicators

7.2.1 Environmental indicators – Buildings in-use

Topic	Indicator	EPRA code	Unit	2016	2017	2018	Change 16/18	Coverage rate
Certifications								
	Number of assets BREEAM In-Use-certified assets	Cert-Tot	Number of assets	19	19	18	–	100%
	% of portfolio certified by value	Cert-Tot	% of portfolio certified by value	100%	100%	100%	–	100%
Energy								
	Total use of electricity from renewable sources	Elec-Abs	MWh	1,552	2,412	11,942	669.5%	100%
	Total use of electricity from non-renewable sources	Elec-Abs	MWh	18,527	26,804	15,836	-14.5%	100%
	Total use of electricity from renewable sources – like-for-like	Elec-LfL	MWh	1,520	1,624	7,984	425.3%	100%
	Total use of electricity from non-renewable sources – like-for-like	Elec-LfL	MWh	18,008	17,596	10,718	-40.5%	100%
	Total energy use, district heating and cooling networks	DH&C-Abs	MWh	18,029	22,135	24,952	–	100%
	Total energy use, district heating and cooling networks – like-for-like	DH&C-LfL	MWh	17,365	17,778	20,993	20.9%	100%
	Total fuel use	Fuels-Abs	MWh	704	612	674	–	100%
	Total fuel use – like-for-like	Fuels-LfL	MWh	704	612	674	-4.3%	100%
	Energy use intensity	Energy-Int	kWh/sq.m.	258	259	265	2.9%	100%
	Energy use intensity – like-for-like	Energy-Int	kWh/sq.m.	248	248	261	5.3%	100%
Greenhouse gas emissions								
	Total direct greenhouse gas (GHG) emissions (Scope 1)	GHG-Dir-Abs	tCO_2e	192	166	183	-4.3%	100%
	Total indirect greenhouse gas (GHG) emissions (Scope 2)	GHG-Indir-Abs	tCO_2e	2,383	3,552	3,037	27.5%	100%
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	18.8	20.1	16.9	-10.2%	100%
Water								
	Total water use	Water-Abs	cu.m.	130,819	154,304	158,482	–	100%
	Total water use – like-for-like	Water-LfL	cu.m.	123,991	125,371	132,589	6.9%	100%
	Water use intensity	Water-Int	cu.m./sq.m.	0.59	0.55	0.57	-2.2%	100%
	Water use intensity – like-for-like	Water-Int	cu.m./sq.m.	0.58	0.54	0.61	5.9%	100%
Waste								
	Total waste produced, by disposal method	Waste-Abs	tonnes		963	804	-16.6%	60%
			% recycled		21%	24%	11.9%	
			% re-used		0%	0%	–	
			% composted		0%	0%	–	
			% incinerated		17%	23%	32.8%	
			% disposed of by another method		9%	7%	-20.6%	
			% incinerated with energy recovery		17%	16%	-7.3%	
			% landfilled		36%	31%	-14.2%	
	Total waste produced, by disposal method – like-for-like	Waste-LfL	tonnes		889	804	-9.6%	57%
			% recycled		23%	24%	3.2%	
			% re-used		0%	0%	–	
			% composted		0%	0%	–	
			% incinerated		18%	23%	22.5%	
			% disposed of by another method		9%	7%	-26.8%	
			% incinerated with energy recovery		10%	16%	56.2%	
			% landfilled		39%	31%	-20.9%	

EPRA methodological note (in addition to the methodological information presented in section 7.1)

1. Scope of reporting: the data entered in the above tables are based on the principle of operational control. Energy use data only concern energy use in common areas and by shared heating and air conditioning systems managed by SFL. Greenhouse gas emissions are calculated based on this consumption and water use data includes data reported to SFL concerning its directly managed water facilities.
2. Segmental analysis: SFL's buildings in operation consist of office buildings located exclusively in Paris and the Paris region. The segmental analysis proposed by EPRA is therefore not applicable.
3. Normalisation: the square metres used to calculate intensities by surface area correspond to the buildings' usable surface area because, for the properties included in the reporting scope, SFL provides heating and air-conditioning for the entire building.
4. Estimate: the data in the EPRA tables are calculated based on actual invoiced use.
5. Coverage rate: for each EPRA performance indicator, the coverage rate is calculated as a percentage of the total surface area.
6. Verification: the reported data are verified by an independent third party with a moderate level of assurance (see section 7.3).
7. Head office: The information about offices occupied by SFL is reported in a separate table, as recommended by EPRA.
8. Narrative on performance: period-on-period changes are reported for each indicator on pages 46 to 53.

7.2.2 Environmental indicators – Head office occupied by SFL

Topic	Indicator	EPRA code	Unit	2016	2017	2018	Change, 2016-2018
Certifications							
	% of head office certified	Cert-Tot	% of headquarters	100%	100%	100%	0.0%
Energy							
	Total use of electricity from renewable sources	Elec-Abs	MWh	10.0	11.2	49.1	
	Total use of electricity from non-renewable sources	Elec-Abs	MWh	159.5	153.7	113.4	-28.9%
	Total use of electricity from renewable sources – like-for-like	Elec-LfL	MWh	10.0	11.2	49.1	393.4%
	Total use of electricity from non-renewable sources – like-for-like	Elec-LfL	MWh	159.5	153.7	113.4	-28.9%
	Total energy use, district heating and cooling networks	DH&C-Abs	MWh	0	0	0	
	Total energy use, district heating and cooling networks – like-for-like	DH&C-LfL	MWh	0	0	0	
	Total fuel use	Fuels-Abs	MWh	0	0	0	
	Total fuel use – like-for-like	Fuels-LfL	MWh	0	0	0	0.0%
	Energy use intensity	Energy-Int	kWh/sq.m.	83	81	80	-4.1%
	Energy use intensity – like-for-like		kWh/sq.m.	83	81	80	-4.1%
Greenhouse gas emissions							
	Total direct greenhouse gas (GHG) emissions (Scope 1)	GHG-Dir-Abs	tCO_2e	0	0	0	
	Total indirect greenhouse gas (GHG) emissions (Scope 2)	GHG-Indir-Abs	tCO_2e	6.99	6.48	5	-25.3%
	Carbon intensity	GHG-Int	$kgCO_2e$/sq.m.	3.4	3.2	2.6	-25.3%
Water							
	Total water use	Water-Abs	cu.m.	429.2	414.9	441.3	+2.7%
	Total water use – like-for-like	Water-LfL	cu.m.	429.2	414.9	441.3	+2.7%
	Water use intensity	Water-Int	cu.m./sq.m.	0.209	0.202	0.215	+2.7%
	Water use intensity – like-for-like		cu.m./sq.m.	0.209	0.202	0.215	+2.7%
Waste							
	Total waste produced, by disposal method	Waste-Abs	tonnes	2.54	2.31	2.22	-12.6%
			% recycled	100%	100%	100%	
			% re-used	0%	0%	0%	
			% composted	0%	0%	0%	
			% incinerated	0%	0%	0%	
			% disposed of by another method	0%	0%	0%	
			% landfilled	0%	0%	0%	
	Total waste produced, by disposal method – like-for-like	Waste-LfL	tonnes	2.54	2.31	2.22	- 12.6%
			% recycled	100%	100%	100%	
			% re-used	0%	0%	0%	
			% composted	0%	0%	0%	
			% incinerated	0%	0%	0%	
			% disposed of by another method	0%	0%	0%	
			% landfilled	0%	0%	0%	

7.2.3 Social and governance indicators

Topic	EPRA code	Indicator	Unit	2017	2018	Comments
Diversity						
	Diversity-Emp	Percentage of men and women on the Board of Directors	Number of women	6	6	
			% of women	40%	43%	
			Number of men	9	8	
			% of men	60%	57%	
		Percentage of men and women on the Management Committee	Number of women	2	2	Number of Management Board members at 31 December, including the Chief Executive Officer
			% of women	22%	25%	
			Number of men	7	6	
			% of men	78%	75%	
		Percentage of men and women managers, excluding the Management Committee	Number of women	29	29	Number of managers at 31 December
			% of women	60%	63%	
			Number of men	19	17	
			% of men	40%	37%	
		Percentage of men and women among other employees	Number of women	15	13	Number of other employees at 31 December
			% of women	88%	87%	
			Number of men	2	2	
			% of men	12%	13%	
		Percentage of men and women among all employees	Number of women	46	44	Total number of employees at 31 December, excluding the Chief Executive Officer
			% of women	63%	65%	
			Number of men	27	24	
			% of men	37%	35%	
	Diversity-Pay	The ratio of the total compensation of men to women on the Management Committee (excluding the Chief Executive Officer and the Managing Director)	%	-3%	3%	Reference base salary at 31 December, before bonus. Excludes corporate officers, C4-level employees and work-study trainees, given the limited number of people in these categories. *1- (average woman's salary/ average man's salary)*
		The ratio of the total compensation of men to women managers (excluding Management Committee members and C4-level employees)	%	14%	16%	
		The ratio of the total compensation of men to women in other categories	%	-8%	-6%	
Training						
	Emp-Training	Total number of training hours	Number	1,870	1,307	
		Number of employees trained	Number	69	56	
		Average number of hours per trainee	Number	27	23	
		% of employees trained	%	96%	79%	*Number of employees trained/average number of employees*
		% of payroll allocated to training	%	3.60%	3.20%	
Assessment						
	Emp-Dev	% of employees who received performance reviews during the year	%	93%	90%	*Number of reviews/number of eligible employees*

Topic	EPRA code	Indicator	Unit	2017	2018	Comments
Attracting and retaining talent						
	Emp-Turnover	New employee hires under permanent contracts	Number	4	8	
		New employee hires under fixed-term contracts	Number	2	3	
		Total new hires	Number	6	11	
		Termination by mutual agreement	Number	6	5	
		Expiry of a fixed-term contract	Number	2	5	including one contract that expired at 31 December 2017
		Resignation	Number	1	2	
		End of the trial period	Number	0	1	
		Retirement	Number	0	2	
		Dismissal	Number	0	0	
		Total separations	Number	9	15	
		Turnover	%	7.38%	12.81%	*(Number of separations of employees under permanent contracts + number of new employee hires under permanent contracts/average number of employees*
Health and safety						
	H&S-Emp	Number of fatal accidents	Number	0	0	
		Number of cases of occupational illness	Number	0	0	
		Number of occupational accidents	Number	0	0	
		Accident frequency rate	Rate	0%	0%	
		Accident severity rate	Rate	0%	0%	
		Short-term absenteeism rate	Rate	0.98%	0.70%	One to three days
	H&S-Asset	Percentage of assets covered by health and safety risk management system	% of assets covered	80%	93%	Assets operationally managed by SFL
	H&S-Comp	Number of health and safety-related incidents of non-compliance	Number of incidents	0	0	
Community engagement						
	Comty-Eng	Community engagement initiatives	% of assets or description	–	–	Given that SFL assets are concentrated in Paris and the inner suburbs, community engagement initiatives are undertaken directly at Group level, as described in section 6.5.

GOVERNANCE INDICATORS				
Topic	EPRA code	Indicator		Explanation
Governance				
	Gov-Board	Composition of the Board of Directors	Description	*Please see page 70 of the Financial and Legal Report*
	Gov-Select	Nomination and selection process for the Board of Directors	Description	*Please see pages 70 and 71 of the Financial and Legal Report*
	Gov-CoI	Procedure for managing possible conflicts of interest	Description	*Please see pages 72 to 74 and page 81 of the Financial and Legal Report*

Coverage rate: 100%

7.3. Data verification

Report by one of the Statutory Auditors on a selection of non-financial information disclosed in the management report.

13. Appendices

Appendix 13.1 – Board of Directors' Special Report to the Annual General Meeting of 5 April 2019 on Stock Options (prepared in accordance with Article L.225-184 of the French Commercial Code)

In compliance with Article L.225-184 of the French Commercial Code, we hereby report to shareholders on stock options granted and/or exercised during the year ended 31 December 2018. The last stock option plan expired on 12 March 2015, at the end of the options' eight-year life.

1) Number of stock options granted by SFL or any related companies during 2018 to the Chairman, the Chief Executive Officer or the Managing Director in respect of directorships or corporate functions held in SFL:
none

2) Number of stock options granted during the year to the Chairman, the Chief Executive Officer or the Managing Director by any companies in which SFL has a controlling interest in respect of directorships or corporate functions held in those companies:
none

3) Number and exercise price of options on shares in the companies mentioned in 1) and 2) above that were exercised during the year by the Chairman, the Chief Executive Officer or the Managing Director:
none

4) Number, exercise period and exercise price of stock options granted in 2018 by SFL or any related companies to the ten employees of the Company other than the Chief Executive Officer or the Managing Director who received the greatest number of options:
none

5) Number and exercise price of options on shares in the companies mentioned in 1) and 2) above that were exercised during the year by the ten employees of the Company other than the Chief Executive Officer or the Managing Director who received the greatest number of options:
none

6) Number, exercise price and exercise period of stock options granted in 2018 by the companies mentioned in 1) and 2) above to all eligible employees:
none

The Board of Directors

Appendix 13.2 – Board of Directors' Special Report to the Annual General Meeting of 5 April 2019 on Performance Share Plans (prepared in accordance with Article L.225-197-4 of the French Commercial Code)

In compliance with Article L.225-197-4 of the French Commercial Code, we hereby present our 2018 report to shareholders on performance share plans for employees and executives who do not hold over 10% of the Company's capital.

On 22 March 2018, the Remuneration and Selection Committee recommended that the Board of Directors set up a new performance share plan (Plan 5), provided that the Annual General Meeting of 20 April 2018 adopted the second extraordinary resolution authorising performance share plans.

At the Annual General Meeting of 20 April 2018, shareholders adopted the second extraordinary resolution authorising performance share plans.

At its meeting held immediately after the Annual General Meeting, the Board of Directors decided to use this authorisation to set up Performance Share Plan 5. The Board also adopted the plan's rules, set the number of performance shares to be granted and drew up the list of grantees.

These Plan 5 Rules are applicable to all performance share grants decided by the Board of Directors pursuant to the shareholder authorisation.

1. Framework for the performance share plan

1.1. Authorisation given by the Annual General Meeting of 20 April 2018 (second extraordinary resolution)

At the General Meeting of 20 April 2018, the Board of Directors was given a 38-month authorisation to set up a performance share plan governed by Articles L.225-197-1 *et seq.* of the French Commercial Code. The shares may be granted to selected employees or corporate officers (*mandataires sociaux*) of the Company or of related entities within the meaning of Article L.225-197-2 of the Code. The total number of performance shares granted may not exceed 1% of the number of SFL shares outstanding on the Meeting date and performance shares granted to corporate officers may not exceed 0.5%.

1.2. Adoption of the Plan rules by the Board of Directors on 20 April 2018 and decision to grant performance shares

In line with the authorisation given by the Annual General Meeting of 20 April 2018, at its meeting on the same day the Board of Directors adopted the Performance Share Plan (Plan 5) rules proposed by the Remuneration and Selection Committee on 22 March 2018.

During the meeting, the Board of Directors decided to grant 67,184 performance share rights under Plan 5 to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives as a share-based long-term incentive, and to other employees of the Company or of related companies or groupings within the meaning of Article L.225-197-2 of the French Commercial Code.

- **Performance shares granted to the Chairman, the Chief Executive Officer and the Managing Director in 2018**

Of the total 67,184 rights, 42,000 were granted to corporate officers, including 20,000 to Nicolas Reynaud, Chief Executive Officer, 16,000 to Dimitri Boulte, Managing Director, and 6,000 to Juan José Brugera Clavero, Chairman of the Board of Directors.

	Nicolas Reynaud	Dimitri Boulte	Juan José Brugera Clavero
Performance shares granted by the Company to corporate officers in 2018	Number: 20,000 shares Value*: €486,380	Number: 16,000 shares Value*: €389,104	Number: 6,000 shares Value*: €145,914

* The value of the performance shares corresponds to the number of shares expected to vest multiplied by the fair value per share. The number of shares expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate (100%). The fair value per share corresponds to the share price on the grant date, adjusted for the discounted value of future dividends expected to be paid during the vesting period (€48.638 for performance share rights granted under the plan dated 20 April 2018).

In line with the recommendations in the AFEP-MEDEF Code, the Chairman, the Chief Executive Officer and the Managing Director have given an undertaking not to hedge the risk of a fall in value of the shares received under the performance share plan.

- **Performance shares granted to employees in 2018**

Category of grantees	Number of grantees	Number of performance shares	Value of performance shares
Management Committee member	7	19,400	471,789
Category 3 and 4 executives	12	3,704	90,078
Category 1 and 2 executives	32	2,080	50,584

2. Characteristics of the 2018 performance share plan

2.1. Purpose of the performance share grants

The main purpose of Plan 5 was to set up a profit-related long-term incentive plan for the Chairman, Chief Executive Officer, Managing Director and certain senior executives that the Company is particularly interested in incentivising. The Plan's scope was extended to include certain other categories of employees of SFL and other Group companies in order to give them a stake in the Group's development.

2.2 Vesting period and conditions, performance targets

- Vesting period

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares granted by the Board of Directors on 20 April 2018 will vest 15 business days after the publication by the last of the "Reference Companies" (see definition below) to do so, of a press release announcing its results for the third financial year following the grant date (i.e., for Plan 5, the year ending 31 December 2020).

- Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable.

However, this rule is waived if the grantee's separation is due to certain events that are beyond his or her control.

In addition, the Board of Directors may decide, on a case-by-case basis, to allow the performance shares to vest even if the grantee is no longer an employee or corporate officer on the vesting date.

- Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

2.3. Lock-up period

In accordance with Article L.225-197-1 of the French Commercial Code, as applicable on the date when Plan 5 was adopted, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

In addition, for performance shares granted to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives, after the end of this statutory two-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration. For the performance shares granted on 20 April 2018, the requirement to keep 40% of the shares applies only to the Chairman, the Chief Executive Officer, and the Managing Director. The performance shares granted to senior executives under Plan 5 are not subject to this additional requirement.

3. Type of shares and rights attached to the shares

The shares will be subject to all the provisions of the law and the Company's Articles of Association and will carry rights from the date when they vest, including rights to all dividends paid and other distributions made after said date. Grantees will be required to comply with the lock-up obligation(s) referred to above.

4. Admission to trading

If the Board of Directors decides to issue new shares (rather than choosing the option of delivering existing shares) under Plan 5, an application will be made for the shares to be admitted to trading on Euronext Paris in compartment A.

The Board of Directors

Appendix 13.3 – Five-year financial summary (parent company, in €)
(prepared in accordance with Article R.225-102 of the French Commercial Code)

	2014	2015	2016	2017	2018
Financial position at the year-end					
I. Capital at 31 December					
Share capital	93,057,948	93,057,948	93,057,948	93,057,948	93,057,948
Number of ordinary shares outstanding	46,528,974	46,528,974	46,528,974	46,528,974	46,528,974
Par value	2.00	2.00	2.00	2.00	2.00
Number of potential ordinary shares to be issued:					
– On conversion of convertible bonds	–	–	–	–	–
– On exercise of warrants	–	–	–	–	–
II. Results of operations					
Net revenue	70,878,041	69,540,212	87,735,720	101,421,937	107,699,004
Profit before tax, depreciation, amortisation and provisions	72,162,520	6,448,213	32,971,796	317,127,680	67,271,823
Income tax expense/(benefit)	(55,730)	(15,000)	15,528,992	(48,294)	(4,466)
Net profit/(loss) after tax, before depreciation, amortisation and provisions	31,476,110	(26,718,556)	(30,278,521)	272,390,385	22,245,051
Ordinary dividend(1)	65,140,564	48,855,423	48,855,423	107,016,640	123,301,781
Special distributions(1)	32,570,282	48,855,423	48,855,423		
III. Per share data					
Earnings after tax, before depreciation, amortisation and provisions	1.55	0.14	0.37	6.82	1.45
Earnings/(loss) after tax, before depreciation, amortisation and provisions	0.68	(0.57)	(0.65)	5.85	0.48
Ordinary dividend	1.40	1.05	1.05	2.30	2.65
Special distribution	0.70	1.05	1.05		
IV. Employee data					
Average number of employees	65	64	65	65	59
Of which building staff	*2*	*2*	*2*	*2*	*2*
Total payroll	7,665,940	9,018,126	8,226,252	8,812,127	9,410,685
Total employer contributions	3,239,556	3,247,869	3,319,907	3,874,699	3,414,252

(1) Not including dividends not paid on shares held in treasury.

Appendix 13.4 – Board of Directors' Corporate Governance Report (prepared in accordance with Article L.225-37, paragraph 6, of the French Commercial Code)

In compliance with Article L.225-37, paragraph 6, of the French Commercial Code, we hereby present our report on the composition and procedures of the Board of Directors and its Committees, the changes that took place in 2018, the Board's diversity policy and the Board's practices. It also describes the restrictions on executive management's powers decided by the Board of Directors. In addition, it provides details of (i) the total remuneration and benefits paid to the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director in 2018 and (ii) the fixed, variable and special components of the remuneration and benefits granted to the Chairman of the Board of Directors and the Chief Executive Officer.

This report covers the period from 1 January to 31 December 2018. It was approved by the Board of Directors on 15 February 2019.

1. Reference to the AFEP-MEDEF Corporate Governance Code

In matters of corporate governance, the Company refers to the AFEP-MEDEF Corporate Governance Code for listed companies, as revised in June 2018 ("the AFEP-MEDEF Code").

It may be downloaded from the AFEP website (www.afep.com).

Since 30 October 2017, SFL has been rated BBB+ by Standard & Poor's (versus BBB previously), with a stable outlook.

The following table summarises the provisions of the AFEP-MEDEF Code with which the Company is not in full compliance.

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2018	Rationale
Proportion of independent directors on the Board	At least one-third of directors on the boards of controlled companies should be independent (Art. 8.3)	3 of the 14 directors are independent (21%)	Board membership reflects the direct involvement of the majority shareholder and the minority shareholder in its deliberations. Of the fourteen directors, eight were elected on the recommendation of the Company's majority shareholder, Colonial, two were elected on the recommendation of the current minority shareholder, Predica, and 1 was appointed on 13 November 2015 on the recommendation of the other minority shareholder at the time. This shareholder sold all of its SFL shares to Colonial in November 2018 and simultaneously increased its stake in Colonial, such that it is now a significant shareholder of Colonial (20%). On 26 July 2018, the Board of Directors appointed a new independent director, to replace an independent director who had resigned. The proportion of independent directors is therefore 21%.
Independence criteria applied to directors Period served on the Board	To be qualified as independent, a director should not have served on the board for more than 12 years (Art. 8.5.6)	One director who has served on the Board for more than 12 years (Anthony Wyand) is considered by the Board as independent	When reviewing the situation of Anthony Wyand, the Board considered that the fact that he had served on the Board for more than 12 years did not compromise his ability to freely exercise his judgement, due to the absence of any financial or business ties with the Company and his personal moral authority. The Board considers that professional experience and an objective perspective on the Company's business represent key criteria for determining a director's independence.
Proportion of independent directors on the Audit Committee	At least two-thirds of the Audit Committee members should be independent (Art. 15.1)	One of the four Audit Committee members is independent	Following the resignation, on 18 July 2018, of an independent director who was a member of the Audit Committee, a new independent director was appointed to the Committee by the Board on 19 December 2018. However, the Audit Committee's membership is linked to that of the Board of Directors, which comprises only three independent directors.

(Situation at 31 December 2018)

Issue	AFEP-MEDEF recommendation	SFL's situation at 31 Dec. 2018	Rationale
Ownership of company shares by directors in relation to the directors' fees	A director should be a shareholder personally and hold a fairly significant number of shares in relation to the directors' fees; if he or she does not hold these shares when assuming office, he or she should use his or her directors' fees to acquire them (Art. 19)	Some directors only own 25 shares, representing the minimum number required by the Company's Articles of Association	Apart from the independent directors, all Board members were put forward as candidates by shareholders who hold, or held on the date the candidate was elected, a significant interest in the Company. For this reason, the Board considers that it would not be appropriate to require them to hold a significant number of shares.
Quantifiable criteria used to determine the bonuses of the Chief Executive Officer and the Managing Director	Quantifiable criteria must account for the largest share of the bonuses of the Chief Executive Officer and the Managing Director (Art. 24.3.2)	The bonuses are based on qualitative and quantitative criteria in equal proportions	Concerning the requirement for the qualitative criteria to be suited to the Company's strategy, the Board considered that it would not be appropriate to base the largest share of the bonuses of the Chief Executive Officer and the Managing Director on quantifiable objectives. Nevertheless, if performance in relation to the quantifiable objectives qualifies the Chief Executive Officer or the Managing Director for the maximum bonus, the proportion of their remuneration determined on the basis of quantifiable criteria will be 63% versus 37% for the qualitative criteria (see pages 93 and 94 for details of the calculation method).
Annual debate by the Board of its operation	Once a year, the Board should debate its operation (Art. 9.3)	A discussion of the Board of Directors' operation was not included on the agenda of any of the Board meetings held in 2018	In 2017, an assessment of the Board's practices was performed by an external firm of consultants based on a questionnaire given to directors. The results of the assessment were presented to the Board at its meeting on 19 December 2017. The Board decided that performing a new assessment in 2018 would serve no useful purpose.
Directors' fees	Directors' fees should comprise a significant variable portion that takes into account each director's attendance rate at Board meetings and meetings of Board committees (Art. 20.1)	Directors' fees include a fixed annual fee (with higher fees payable to members of Board Committees, the Chairman of the Board and the Committee Chairmen) and a variable fee (based on the directors' attendance rate at meetings of the Board and its Committees)	The variable fee's preponderance over the fixed fee depends on the number of meetings of the Board and its Committees held during the year. In 2018, due to the number of meetings held during the year, it was not possible for the directors' variable fee to be greater than the fixed fee.

(Situation at 31 December 2018)

2. Executive management and the Management Committee as of 31 December 2018

2.1. Executive management organisation – separation of the positions of Chairman of the Board of Directors and Chief Executive Officer

Since the Board meeting of 27 January 2015 at which the decision was made to separate the positions of Chairman and Chief Executive Officer, as recommended by the Remuneration and Selection Committee, Juan José Brugera Clavero has served as Chairman of the Board of Directors, Nicolas Reynaud as Chief Executive Officer and Dimitri Boulte as Managing Director.

Juan José Brugera Clavero's appointment as Chairman was confirmed by the Board on 26 April 2016 for a further three years, following his re-election as a director for a three-year term by the Annual General Meeting held on the same day.

He will once again stand for re-election at the Annual General Meeting on 5 April 2019. Provided Juan José Brugera Clavero is re-elected by shareholders, the Board of Directors intends to confirm his appointment as Chairman at the meeting held immediately after the Annual General Meeting.

The Board has not assigned him any specific tasks other than the duties and responsibilities incumbent on a chairman of the Board of Directors under French law.

2.2. Directorships and other positions held by the Chief Executive Officer and the Managing Director as of 31 December 2018

The positions and directorships held as of 31 December 2018 by Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director, are presented below.

The positions and directorships held as of 31 December 2018 by the Chairman of the Board of Directors and the other directors are presented in section 3.8 below.

• **Nicolas Reynaud, Chief Executive Officer**
First appointment: Managing Director in 2008
Second appointment: Chief Executive Officer in 2015
Business address:
42 rue Washington,
75008 Paris (France)
Directorships and other positions held in 2018:
In France – SFL Group
– Chief Executive Officer: Société Foncière Lyonnaise (SA)
– Chairman and Chief Executive Officer: Segpim (SA)
– Chief Executive Officer: Parholding (SAS)
Other directorships and positions held in the past five years (SFL):
– Managing Director Société Foncière Lyonnaise (until 27 January 2015)
– Chief Financial Officer Société Foncière Lyonnaise (until 27 January 2015)

• **Dimitri Boulte, Managing Director**
Chief Operating Officer
42 rue Washington,
75008 Paris (France)
Directorships and other positions held in 2018:
In France – SFL Group
– Chief Executive Officer: Locaparis (SAS)
– Director: Segpim (SA)
Other directorships and positions held in the past five years:
– None

2.3. Restrictions on the powers of the Chief Executive Officer and Managing Director decided by the Board

The Chief Executive Officer and the Managing Director represent the Company in its dealings with third parties. In accordance with the law, they have the broadest powers to act in any and all circumstances in the Company's name within the limits of its corporate purpose, except for those powers expressly attributed by law to the shareholders and the Board of Directors. In accordance with Article L.225-35 of the French Commercial Code, the Board of Directors' prior approval must be obtained for the issuance of all forms of guarantee.

However, in accordance with Article R.225-28 of the French Commercial Code, at its meeting on 9 February 2018 the Board authorised the Chief Executive Officer (or any person to whom the Chief Executive Officer's powers are delegated) to issue bonds and other guarantees in the Company's name, covering the same period as the underlying commitment:
– for an aggregate amount of €500,000;
– for an unrestricted amount in the case of tax and customs bonds.

This authorisation has been given for a period of one year, at the end of which the Chief Executive Officer is required to report to the Board of Directors on the commitments given pursuant to the authorisation.

In addition, an internal restriction – specified in the Board of Directors' internal rules – applies to acquisitions, disposals and financial commitments, which must also be authorised in advance by the Board of Directors when they represent an amount in excess of €20 million.

2.4. Members of the Management Committee as of 31 December 2018

The members of the Management Committee as of 31 December 2018 were as follows:

- Nicolas Reynaud: Chief Executive Officer
- Dimitri Boulte: Managing Director, Chief Operating Officer
- François Sebillotte: Chief Resources Officer, Secretary to the Board
- Fabienne Boileau: Chief Financial Officer
- Pierre-Yves Bonnaud: Asset Management and Client Management Director
- François Derrian: Human Resources Director
- Aude Grant: Deputy Managing Director – Asset Management and Investments
- Éric Oudard: Technical and Development Director

Pierre-François Chiapponi, Leasing and Investments Director, left the Company on 28 September 2018.

Nicolas Reynaud (57), Chief Executive Officer
Nicolas Reynaud joined SFL in 2006 as Chief Financial Officer/Deputy Managing Director and member of the Management Committee. He was appointed Managing Director in 2008. He began his career in 1984 with CAMCA before moving to Sophia, where he held various positions between 1988 and 2005, including Deputy Managing Director and Chief Financial Officer. Nicolas Reynaud was appointed as SFL's Chief Executive Officer by the Board of Directors on 27 January 2015 and gave up his position as Chief Financial Officer on the same day.

Dimitri Boulte (41), Managing Director, Chief Operating Officer
Dimitri Boulte joined SFL in 2011 as Deputy Managing Director and Chief Operating Officer with overall responsibility for operations (investments, asset management, technical matters, business development and marketing). He is a graduate of HEC business school and holds a CEMS Master of International Management degree from Bocconi University, Milan. He worked at Unibail-Rodamco for nine years in a variety of management positions, serving successively as Office Division Investment Manager (2004-2006) Office Division Development Manager (2006-2007) and Development Director for Large Urban Projects (2008-2011). He also played a role in creating and developing the Real Estate Chair at HEC where he was a lecturer. He was appointed as SFL's Managing Director by the Board of Directors on 27 January 2015.

François Sebillotte (63), Chief Resources Officer, Secretary to the Board
François Sebillotte began his career in 1982 with law firm KPMG Fidal. In 1987 he joined business guide publisher Éditions Liaisons as Director of Legal Affairs. In 1992, he moved to investment fund Unigrains, where he served as Director of Legal Affairs and member of the Management Committee, until joining SFL. He holds a post-graduate private law degree and an Executive MBA from HEC business school, formerly CPA. François Sebillotte has served as SFL's Chief Resources Officer since 2001 and Secretary to the Board since 2011.

Fabienne Boileau (51), Chief Financial Officer
Fabienne Boileau is a graduate of ESC Reims business school and a qualified accountant. She joined SFL in 2005 after spending three years with KPMG Audit and holding various positions in the Budget Control department at Crédit Agricole SA. Prior to her appointment as SFL's Chief Financial Officer on 27 January 2015, she held the position of Management Control and Budget Manager.

François Derrian (49), Human Resources Director
François Derrian is a graduate of Institut de Gestion Sociale with an "AES" degree (combining law, economics, management and social sciences). He joined SFL in 2002 after holding various human resources positions with Auchan and Pinault-Printemps-La Redoute (Pinault Distribution, FNAC).

Aude Grant (37), Deputy Managing Director – Asset Management and Investments
After graduating from HEC business school, Aude Grant began her career in the Transaction Services department of Deloitte. In 2006, she joined the Foncière des Régions group, where she successively held the positions of Analyst, Portfolio & Acquisitions Manager and Office Division Asset Management and Investments Director. She joined SFL in 2014 as Transactions and Business Strategy Director and was appointed Deputy Managing Director in 2016.

Pierre-Yves Bonnaud (41), Asset Management and Client Management Director
Pierre-Yves Bonnaud is a graduate of the ESTP Cachan engineering school and holds a Master's degree from ESSEC Business School. He began his career with CBRE Investors as a financial analyst and asset manager, before joining Mercialys, a subsidiary of the Casino Group, in 2006. He moved to Immobilière Casino in 2011, where he served as Major Project Director then Property Acquisitions and Sales Director, before returning to Mercialys in 2014 as Asset Management and Enhancement Director. Pierre-Yves Bonnaud joined SFL as Asset Management and Client Management Director in 2016.

Éric Oudard (50), Technical and Development Director
Éric Oudard is a graduate of the Ponts et Chaussées engineering school and an affiliate member of the Chartered Institute of Building Services Engineers (CIBSE). Prior to joining SFL, he held positions with Accor, Casino Immobilier, Pierre et Vacances and Luminatis. He joined SFL's Management Committee as Technical and Development Director in 2014.

Gender representation

SFL has had a stable representation of men and women on its Management Committee for several years. As of 31 December 2018, two of the eight Management Committee members were women (25%). One is the Company's Chief Financial Officer and the other holds the position of Deputy Managing Director – Asset Management and Investments.

The Company has only a limited number of employees and the 10% of positions with decision-making responsibilities are all held by members of the Management Committee.

3. The Board of Directors

3.1. Members of the Board of Directors as of 31 December 2018

Article 15 of the Articles of Association states that the Board of Directors shall have between three and 16 members.

As of 31 December 2018, the Board of Directors had 14 members. As of 31 December 2017, it had 15 members.

At its meeting on 26 July 2018, the Board appointed Arielle Malard de Rothschild as a director, to replace Anne-Marie de Chalambert who resigned on 18 July 2018. Arielle Malard de Rothschild's appointment is subject to ratification at the Annual General Meeting of 5 April 2019. Adnane Mousannif resigned from the Board at the close of the meeting held on 19 December 2018.

The Board of Directors breaks down as follows:

– Eight directors elected on the recommendation of the majority shareholder, Inmobiliaria Colonial, SOCIMI, SA:
  • Juan José Brugera Clavero (Chairman of the Board of Directors)
  • Angels Arderiu Ibars
  • Carlos Fernandez-Lerga Garralda
  • Carmina Ganyet i Cirera
  • Carlos Krohmer
  • Luis Maluquer Trepat
  • Nuria Oferil Coll
  • Pere Viñolas Serra

– Two directors elected on the recommendation of Predica:
  • Jean-Jacques Duchamp
  • Chantal du Rivau

One director elected on the recommendation of Qatar Holding LLC and DIC Holding LLC (acting in concert)(1):
  • Ali Bin Jassim Al Thani

– Three independent directors:
  • Sylvia Desazars de Montgailhard
  • Arielle Malard de Rothschild(2)
  • Anthony Wyand.

(1) In a letter to the Company dated 14 November 2018 (sent by registered mail with return receipt requested), Qatar Holding LLC and DIC Holding LLC (acting in concert) disclosed that they had entered into an agreement with Colonial on 15 October 2018, subject to certain conditions precedent, and had sold all of their SFL shares to SFL's majority shareholder with effect on 12 November 2018 (see "Changes in interests disclosed to the Company in 2018" on page 24 of the Management Report).
(2) At its meeting on 26 July 2018, the Board of Directors noted the resignation of Anne-Marie de Chalambert, independent director, and appointed Arielle Malard de Rothschild as a new independent director.

3.2. Board of Directors' diversity policy

Directors are elected for three-year terms, except for candidates who are aged 70 or over on the date of their election or re-election, whose term is limited to one year.

The number of directors over 70 may not represent more than one-third of the serving members of the Board.

The Chairman is required to step down at the close of the Annual General Meeting called to approve the financial statements for the year of his 75th birthday.

As of 31 December 2018, two directors were aged over 70 and three directors were aged 50 or under.

The qualifications and professional experience of each director are presented on pages 76 *et seq.* of this report.

The Board endeavours to diversify its membership in terms of nationality, international experience, skills and gender balance.

Of the 14 members of the Board of Directors, six are women. At 43%, the proportion of women on the Board as of 31 December 2018 was in line with French Act 2011-103 of 27 January 2011 concerning gender balance on corporate boards and gender equality in the workplace.

The woman independent director who resigned during 2018 was replaced by another woman who also qualifies as independent. As a result, the Board still comprises six women and three independent directors.

The Company aims to maintain this situation in 2019.

The number of directors and the capabilities, skills and expertise represented on the Board are aligned with the Company's current needs. They contribute to the Board's efficient organisation and practices, by fostering constructive discussions and decisions that underpin the Company's sustainable growth.

To contribute to the Board's diversity, when a seat on the Board falls vacant or it is necessary or desirable to appoint a new director, the Remuneration and Selection Committee is tasked with reviewing candidates' files and interviewing the short-listed candidates. The Committee presents the results of its review to the Board of Directors, based on the skills, capabilities and expertise, age and gender of candidate(s) assessed as being qualified to contribute their knowledge and experience to the Company. The Committee also takes legal and regulatory considerations into account, such as the requirement to have a certain proportion of independent and women directors, and the statutory age limit for serving on a company's board. The Board then decides to appoint a new director subject to ratification at the next General Meeting, or to propose the candidate for election at the next General Meeting, as appropriate.

The Board of Directors does not include any director representing employees, as the number of employees of the Company and its subsidiaries is below the thresholds set in Article L.225-27-1 of the French Commercial Code.

In accordance with the French Labour Code, two members of the Works Council attend meetings of the Board of Directors with a consultative vote.

3.3. Changes in the membership of the Board of Directors and the Board Committees during 2018 – Situation as of 31 December 2018

	Re-elected	Elected/appointed	Resigned
Board of Directors	Anne-Marie de Chalambert 20 April 2018 Nuria Oferil Coll 20 April 2018 Angels Arderiu Ibars 20 April 2018 Ali Bin Jassim Al Thani 20 April 2018 Adnane Mousannif 20 April 2018 Anthony Wyand 20 April 2018	Arielle Malard de Rothschild 26 July 2018	Anne-Marie de Chalambert 18 July 2018 Adnane Mousannif 19 Dec. 2018
Audit Committee	–	Arielle Malard de Rothschild 19 Dec. 2018	Anne-Marie de Chalambert 18 July 2018
Remuneration and Selection Committee	–	Arielle Malard de Rothschild 09 Nov. 2018	Anne-Marie de Chalambert 18 July 2018
Committee of Independent Directors	–	Arielle Malard de Rothschild 26 July 2018	Anne-Marie de Chalambert 18 July 2018
Executive and Strategy Committee	–	–	–

3.4. Candidates proposed for re-election to the Board or whose appointment is subject to ratification at the Annual General Meeting of 5 April 2019

The terms of the following directors will expire at the Annual General Meeting called to approve the 2018 financial statements: Arielle Malard de Rothschild – whose appointment is subject to ratification at the Annual General Meeting – Chantal du Rivau, Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda, Pere Viñolas Serra and Anthony Wyand.

Shareholders are invited to (i) ratify the Board's decision of 26 July 2018 appointing Arielle Malard de Rothschild as a director for the remaining term of her predecessor, Anne-Marie de Chalambert, which expires at the close of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2018, and (ii) re-elect Arielle Malard de Rothschild as a director for a three-year term expiring at the close of the Annual General Meeting called to approve the financial statements for the year ending 31 December 2021.

At its meeting on 26 July 2018, pursuant to the recommendation of the Remuneration and Selection Committee, the Board unanimously decided to appoint Arielle Malard de Rothschild as an independent director to replace Anne-Marie de Chalambert. The directors considered that Arielle Malard de Rothschild has the skills and independence of judgement needed to participate fully in the work of the Board. With over 30 years' experience of working in finance, her professional expertise and personal qualities are of significant value to the Company.

The Board of Directors has therefore decided to ask shareholders at the Annual General Meeting to be held on 5 April 2019 to ratify its decision to appoint Arielle Malard de Rothschild as a director and to re-elect her for a three-year term.

In accordance with Article R.225-83-5 of the French Commercial Code, information concerning Arielle Malard de Rothschild, who is the subject of two resolutions ratifying her appointment and re-electing her as a director, is provided on pages 75 and 79 of this report.

In addition, shareholders are asked to re-elect Chantal du Rivau, Jean-Jacques Duchamp, Carlos Fernandez-Lerga Garralda and Pere Viñolas Serra for a three-year term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending 31 December 2021. Shareholders are also invited to re-elect Juan José Brugera Clavero and Anthony Wyand for a one-year term expiring at the close of the Annual Meeting to be called to approve the financial statements for the year ending 31 December 2019.

In accordance with the Articles of Association, Juan José Brugera Clavero and Anthony Wyand are proposed for re-election for one-year terms as they are both over 70 years of age, while the other directors are proposed for standard three-year terms.

In a letter dated 20 January 2019, Sylvia Desazars de Montgailhard notified the Company of her decision to resign from the Board with immediate effect. At its meeting on 15 February 2019, based on the recommendation of the Remuneration and Selection Committee, the Board unanimously decided to appoint Alexandra Rocca as an independent director to replace Sylvia Desazars de Montgailhard for the remainder of Sylvia Desazars de Montgailhard's term expiring at the close of the Annual General Meeting to be called to approve the financial statements for the year ending 31 December 2019.

Alexandra Rocca, 56, is a French national. She is a graduate of HEC and Institut d'Etudes Politiques de Paris and has a degree in French literature.
She began her career with the Printemps group in 1986 before joining Air Liquide in 1990 where, from 1990 to 2001, she was responsible for communications for the healthcare business, then head of international brand management, before being appointed to serve as Deputy Director of Communications for the Group. Ms. Rocca was appointed head of communications for Galeries Lafayette in 2001 and served in this capacity until 2005. She then joined the Crédit Agricole SA group and until 2010 served as head of communications for LCL before being appointed Senior Vice President, Communications for the Crédit Agricole SA group. In 2010, she joined Lafarge as Senior Vice President, Communications, where she stayed until 2015, when she joined the Sanofi group as Senior Vice President, Communications.
Alexandra Rocca has been Vice President, Communications for Air Liquide since 2018.

Arielle Malard de Rothschild, Alexandra Rocca, Chantal du Rivau, Juan José Brugera Clavero, Jean-Jacques Duchamp, Carlos Fernandez Lerga-Garralda, Pere Viñolas Serra and Anthony Wyand have all confirmed that they wish to stand for re-election and that they are not disqualified from serving as directors.

Resolutions ratifying these appointments and re-electing these directors will be put to the vote at the Annual General Meeting to be held 5 April 2019.

3.5. Independent directors

According to the AFEP-MEDEF Code, a director is independent when he or she has no relationship of any kind whatsoever with the corporation, its group or the management that may interfere with his or her freedom of judgement. Accordingly, an independent director is understood to be any non-executive director of the corporation or the group who has no particular bonds of interest (significant shareholder, employee, other) with them.

The AFEP-MEDEF Code lists the criteria to be applied by the Remuneration and Selection Committee and the Board of Directors to determine whether a director is independent and to prevent conflicts of interest between the director, on the one hand, and management, the company or the group on the other. In particular:
– Not to be and not to have been during the course of the previous five years:
  • an employee or corporate officer of the Company,
  • an employee, corporate officer of a company or a director of a company consolidated within the corporation,
  • an employee, corporate officer or a director of the company's parent company or a company consolidated within this parent;
– Not to be a corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office during the last five years) is a director;
– Not to be a customer, supplier, commercial banker, investment banker or consultant:
  • that is material to the Company or its Group,
  • or for a significant part of whose business the corporation or its group accounts.

The evaluation of the significant or non-significant relationship with the company or its group must be debated by the board and the quantitative criteria that lead to the evaluation (continuity, economic dependence, exclusivity, etc.) must be explicitly stated in the corporate governance report;
– Not to be related by close family ties to a corporate officer;
– Not to have been an auditor of the Company within the previous five years;
– Not to have been a director of the Company for more than twelve years. Loss of the status of independent director occurs on the date at which this period of 12 years is reached.

A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of shares or any compensation linked to the performance of the corporation or the group.

Directors representing major shareholders of the corporation or its parent company may be considered independent, provided these shareholders do not take part in the control of the corporation. Nevertheless, beyond a 10% threshold in capital or voting rights, the Board, upon a report from the nominations committee, should systematically review the qualification of a director as independent in the light of the make-up of the corporation's capital and the existence of a potential conflict of interest.

The Board of Directors applies all of the above criteria except the one stipulating that the director should not have served on the board for more than 12 years in the case of Anthony Wyand.

As reflected in the table on page 67, the Board considers that professional experience and an objective perspective on the Company's business represent key criteria for determining a director's independence. When reviewing the situation of Anthony Wyand, the Board considered that the fact that he had served on the Board for more than 12 years did not compromise his ability to freely exercise his judgement, due to the absence of any financial or business ties with the Company and his personal moral authority.

Based on the above criteria and the opinion of the Remuneration and Selection Committee, the Board of Directors considers that three directors qualify as independent:
– Sylvia Desazars de Montgailhard[1]
– Arielle Malard de Rothschild[2]
– Anthony Wyand

(1) Sylvia Desazars de Montgailhard resigned from the Board on 20 January 2019 and was replaced by Alexandra Rocca at the Board of Directors' meeting held on 15 February 2019, subject to shareholder ratification of her appointment.
(2) Arielle Malard de Rothschild was appointed as a director by the Board of Directors on 26 July 2018 following the resignation from the Board of Anne-Marie de Chalambert.

On the recommendation of the Remuneration and Selection Committee, which met immediately before the Board, at its meeting on 26 July 2018, the Board of Directors decided that Arielle Malard de Rothschild fulfilled all of the criteria in the AFEP-MEDEF Code allowing her to be qualified as independent.

None of these directors have any business ties with the Company.

Table summarising the independent directors' compliance with the above independence criteria

Independence criteria	Compliance		
	Arielle Malard de Rothschild	Sylvia Desazars de Montgailhard	Anthony Wyand
Criterion 1: Employee or corporate officer in the previous five years Not to be and not to have been during the course of the previous five years:			
– an employee or corporate officer of the corporation	√	√	√
– an employee, corporate officer of a company or a director of a company consolidated within the Company	√	√	√
– an employee, corporate officer or a director of the parent company or a company consolidated within this parent	√	√	√
Criterion 2: Cross-directorships Not to be a corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a corporate officer of the Company (currently in office or having held such office during the last five years) is a director	√	√	√
Criterion 3: Material business relationships Not to be a customer, supplier, commercial banker, investment banker or consultant:			
- that is material to the Company or its Group	√	√	√
- or for a significant part of whose business the Company or its Group accounts	√	√	√
Criterion 4: Family ties Not to be related by close family ties to a corporate officer	√	√	√

Independence criteria	Compliance		
	Arielle Malard de Rothschild	Sylvia Desazars de Montgailhard	Anthony Wyand
Criterion 5: Statutory Auditors Not to have been an auditor of the Company within the previous five years	√	√	√
Criterion 6: More than 12 years served on the Board Not to have been a director of the Company for more than 12 years Loss of the status of independent director occurs on the date at which this period of 12 years is reached	√	√	X(1)
Criterion 7: Non-executive officer Not to have received variable compensation in cash or in the form of shares or any compensation linked to the performance of the Group	√	√	√
Criterion 8: Major shareholder Directors representing major shareholders of the Company or its parent company may be considered independent, provided that these shareholders do exercise control of the Company. Nevertheless, beyond a 10% threshold in capital or voting rights, the Board, upon a report from the nominations committee, should systematically review the qualification of a director as independent in the light of the make-up of the corporation's capital and the existence of a potential conflict of interest.	√	√	√

(1) See also the table on page 67 and the above section 3.5 (page 73) concerning the non-application to one of the independent directors of the criterion concerning time served on the Board.

3.6. Experience and expertise represented on the Board of Directors at 31 December 2018

Juan José Brugera Clavero studied industrial engineering at the Terrassa EUITI engineering school and earned an MBA from the ESADE business school. He began his career in 1967 as a lecturer at the Terrassa and La Salle engineering schools, before joining Inter Grundig as an engineer in 1968 until 1970. He moved to Banco Atlantico in 1971, where he worked in sales and logistics until 1975. He also taught economics (1972-1975) and bank management (1975-1988) at the ESADE business school, and was appointed honorary Vice Chairman of the school's Foundation in 1989 and Chairman in 1999, a position he held until 2005. From 1975 to 1987, he held various positions at Banco Sabadell. He joined Sindibank as Chief Executive Officer (1987-1994) and served in the same position at Inmobiliaria Colonial SA from 1994 to 2006 and at Mutua Madrilena from 2006 to 2007. He was also a director of SFL from 2004 to 2006 and Chairman of Panrico from 2007 to 2010. He has been Chairman of Inmobiliaria Colonial, SOCIMI, SA since 2008. He is also President of Ramon Llull University (Barcelona) and holds an honorary doctorate from the University of Rhode Island (United States).

Sheikh Ali Bin Jassim Al Thani has spent over 30 years working for the Qatari government, primarily in the areas of commerce, finance and real estate. He is also a director of Inmobiliaria Colonial, SOCIMI, SA (Spain) and Qatar General Insurance & Reinsurance Co (Qatar), a member of the Supervisory Board of Hapag-Lloyd AG and Chairman of Qatar Navigation QPSC.

Angels Arderiu Ibars holds a degree in business science from the University of Barcelona. She is a graduate of the ESADE business school in Spain, where she studied financial audit and earned a Master's degree in Finance. After spending the first nine years of her career with an audit firm, she joined Inmobiliaria Colonial, SA in March 1999 as Chief Accountant, becoming Chief Financial Officer and member of the Executive Committee in January 2009.

Sylvia Desazars de Montgailhard is an independent director of SFL. She has many years' experience working in the higher education and research sectors in France, Spain, the United States and Asia. After graduating from the Sciences-Po Paris research university, qualifying to become a lecturer (*Agrégation*) in Spanish and earning a doctorate from Sorbonne-Paris IV University, she held lectureships at Toulouse University, Sciences-Po and the ESSEC business school, also serving as the ESSEC Foundation's Chief Executive. While based in Singapore, she participated actively in three real estate projects in the education sector: construction of the Singapore Lycée Français, in her role as Cultural and Scientific Advisor at the French Embassy (1996-1997), construction of the INSEAD business school's campus, in her role as Regional Director of INSEAD (1998-1999) and construction of the ESSEC campus (inaugurated in 2015), in her role as the school's Development Director. She is a director of Koiki, a social entrepreneurship organisation (Spain) and of Sociedad de Estudios Hispano Franceses (Spain), an advisory firm.

Jean-Jacques Duchamp began his career in 1979 as an engineer. After working on various hydraulic engineering projects, he joined the World Bank, where he was involved in arranging international project financing. He moved to Crédit Agricole as Inspector General in 1985, before becoming a member of the bank's Finance Department in 1991. He was appointed Chief Financial Officer of Predica in 2001. He has been deputy Chief Executive Officer of Crédit Agricole Assurance and member of the Executive Committee since 2004.

Chantal du Rivau studied law before starting her career as a real estate investment manager, first at Groupe des Populaires d'Assurances (GPA) and then at the La France insurance company and Groupe Mornay (Klésia). In 1990, she joined Predica to deploy processes to manage the company's growing real estate portfolio. In 1998, she also took charge of Predica's operating real estate assets. In 2009, she joined Crédit Agricole Assurances to manage the real estate portfolio of all its subsidiaries. She is chair of several OPCI real estate funds and director of various real estate investment vehicles.

Carlos Fernandez-Lerga Garralda is a lawyer specialised in civil and corporate law. He began his career as Advisor to the Spanish Minister and Secretary of State in charge of relations with the European Union (1978-1983) before joining Grupo Banco Hispano Americano as Chief Executive Officer of the bank's Asesoramiento Comunitario SA subsidiary. He is a member of the Board of Directors of Inmobiliaria Colonial, SOCIMI, SA and several other Spanish companies. A former professor at Madrid University, he has written several books on competition law and intellectual property law.

Carmina Ganyet i Cirera, a trained economist, started her career at Caixa de Catalunya and later joined Arthur Andersen as an auditor (1991-1995). She moved on to work for Caixa's industrial holding company (now Criteria) as head of Budget Control within the Finance, Insurance and Property Department, a position that led her to participate in the Inmobiliaria Colonial IPO process. In 2000, she was appointed Chief Financial Officer of Inmobiliaria Colonial, SA before becoming Corporate Managing Director in January 2009. She has been a member of the Board of the Circulo de Economia economic think tank and is a former professor at Ramon Llull University.

Carlos Krohmer is a graduate of the Mannheim Business School (Germany). He studied at the University of Barcelona (Spain) and the University of Swansea (Wales) under the Multiregional International Business Programme (MIBP) and also attended the IESE graduate school and Harvard Business School. He has been a member of the Executive Committee of Inmobiliaria Colonial, SOCIMI, SA since January 2009, as Director of Corporate Development, Management Control and Investor Relations. Carlos Krohmer began his career with the Unilever Group in Hamburg, where he held a variety of management positions in the Budget Control and Finance departments. In 1999, he was appointed Head of Management Control at Unilever Bestfoods in Germany. In 2001, he joined the Corporate Development Department of CaixaHolding (now named Criteria CaixaHolding), a subsidiary of Grupo La Caixa, serving as Head of Real Estate Investments before becoming Senior Project Manager for Criteria's IPO. During the first half of 2008, he acted as advisor to Holret SA, CaixaHolding's French real estate subsidiary. He moved to Colonial in January 2009. Carlos Krohmer has lectured in corporate finance at the La Salle Business Engineering School and is a member of the EPRA (European Public Real Estate Association) Investor Relations Committee.

Arielle Malard de Rothschild has been an independent director of SFL since 26 July 2018.
She holds an economics doctorate from Institut d'Etudes Politiques de Paris (Sciences Po) and a DEA post-graduate degree in Currency, Banking and Finance from Paris II-Assas University. In 1989, she joined Lazard Frères & Co as a member of the foreign government advisory team. Ten years later, she set up Rothschild Conseil International, a firm of emerging market financial advisors, and became its deputy Chief Executive Officer. Since 2006, she has been Managing Director of Rothschild & Cie (SCS). She is also a member of the Supervisory Board and Risk Committee of Rothschild & Co (SCA) and a director of Groupe Lucien Barrière (SAS).

Luis Maluquer Trepat has degrees in law (Barcelona University) and international institutions (Geneva University). He has been a lawyer and partner of the Maluquer Advocats law firm since 1995, serving as a Managing Partner until November 2016. He headed BNP Paribas' external law firm in Barcelona from 1980 to 1992 and Caisse Nationale du Crédit Agricole's external law firm in Barcelona from 1992 to 1998. He has represented Spain on the Board of the European Society for Banking and Financial Law since 2000. He is currently a director of Inmobiliaria Colonial, SOCIMI, SA.

Nuria Oferil Coll has a law degree from Barcelona University and an MBA from Ramon Llull University's ESADE business school. She began her career in 1998 as an associate in the Roca Junyent law firm in Spain, within the private law department. In 2004, she joined the Legal Department of Inmobiliaria Colonial, SOCIMI, SA. Since 2010, she has been the company's Chief Legal Officer and member of the Executive Committee, responsible for standards compliance and corporate governance unity. She also serves as assistant secretary of the Board of Directors of Inmobiliaria Colonial, SOCIMI, SA.

Pere Viñolas Serra holds an MBA from ESADE – Barcelona University. He was Deputy Chief Executive Officer of the Barcelona Stock Exchange from 1990 to 1996, Chief Executive Officer of Filo, a listed property company, from 1997 to 2001 and Partner and Chief Operating Officer of the Riva y Garcia financial group from 2001 to 2008. Since 2008, he has been Chief Executive Officer of Inmobiliaria Colonial, SOCIMI, SA. From 1994 until 2000 he was Chairman of the Barcelona-based Catalonian Financial Analysts Institute and Chairman of the Urban Land Institute in Spain. He serves on the Board of Directors of several Spanish companies and is a professor in the Finance Department of ESADE.

Anthony Wyand is an honorary Chairman and independent director of SFL. He has held various positions throughout his career, including Executive Director of Commercial Union Plc (1987-1998), Deputy Chief Executive of CGU Plc (1998-2001) and Executive Director of Aviva Plc (2001-2003). He is currently Chairman of the Board of Directors of Cybele Asset Management.

3.7. Experience and expertise represented on the Board of Directors at 31 December 2018

		Personal information				Experience
		Age	Gender	Nationality	Number of shares	Directorships of listed companies
Juan José Brugera Clavero (Chairman of the Board of Directors)		72	M	Spanish	15,775	2
Directors	Ali Bin Jassim Al Thani	59	M	Qatari	25	1
	Angels Arderiu Ibars	52	F	Spanish	25	1
	Sylvia Desazars de Montgailhard	60	F	French and Spanish	50	1
	Chantal du Rivau	63	F	French	30	2
	Jean-Jacques Duchamp	64	M	French	25	4
	Carlos Fernandez-Lerga Garralda	69	M	Spanish	50	2
	Carmina Ganyet i Cirera	50	F	Spanish	30	2
	Carlos Krohmer	47	M	German	30	1
	Arielle Malard de Rothschild	55	F	French	25	2
	Luis Maluquer Trepat	63	M	Spanish	400	2
	Nuria Oferil Coll	44	F	Spanish	25	1
	Pere Viñolas Serra	56	M	Spanish	5,325	2
	Anthony Wyand	75	M	British	100	1

* C: Chairman – M: Member

3.8. Directors' profiles, experience and expertise

Juan José Brugera Clavero

(Chairman of the Board of Directors)

- **Main areas of expertise and experience**
  (see page 74)
- **Current directorships:**
  – Directorships and positions – SFL Group:
  - Chairman of the Board of Directors
  - Chairman of the Executive and Strategy Committee

  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
  - Chairman of the Board of Directors and Chairman of the Executive and Strategy Committee:
    - Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
  – Member of the Remuneration and Selection Committee (SFL)

Sheikh Ali Bin Jassim Al Thani

- **Main areas of expertise and experience**
  (see page 74)
- **Current directorships:**
  – Directorships and positions – SFL Group:
  - Director

  – Directorships and positions – Outside the SFL Group:

  In France:
  - Chairman of the Board of Directors:
    - Eagle SPPICAV (SAS)
    - 52 Capital (SA)
    - Diamond SPPICAV (SAS)
  - Chairman of the Board of Directors and Chief Executive Officer:
    - Elypont (SA)

  Outside France:
  - Chairman of the Board of Directors:
    - Qatar Navigation QPSC *(Qatar)*
  - Member of the Supervisory Board:
    - Hapag-Lloyd AG
  - Director:
    - Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
    - Qatar General Insurance & Reinsurance Co *(Qatar)*

Position on the Board				Membership of Board Committees*			
Independence	First elected	Current term expires	Years served on the Board	Audit Committee	Remuneration and Selection Committee	Executive and Strategy Committee	Committee of Independent Directors
No	23 July 2008	2019 AGM	10.5	–	–	C	–
No	13 Nov. 2015	2021 AGM	3.5	–	–	–	–
No	4 March 2014	2021 AGM	5.0	–	–	–	
Yes	28 April 2017	2020 AGM	3.0	–	–	–	M
No	28 May 2014	2019 AGM	4.5	–	–	–	–
No	25 Nov. 2004	2019 AGM	14.5	M	–	M	–
No	23 July 2008	2019 AGM	10.5	C	–	–	–
No	20 July 2009	2020 AGM	9.5	M	–	M	–
No	24 April 2014	2020 AGM	5.0	–	–	–	–
Yes	26 July 2018	2019 AGM	0.5	M	M	–	M
No	11 June 2010	2020 AGM	8.5	–	–	–	–
No	13 Nov. 2015	2021 AGM	3.5	–	–	–	–
No	23 July 2008	2019 AGM	10.5	–	M	M	–
Yes	21 Mar. 1995	2019 AGM	24	–	C	–	M

- **Other directorships and positions held in the past five years**
  - Vice Chairman of Housing Bank of Trade and Finance (HBTF) – *listed company (Jordan)*

Angels Arderiu Ibars

- **Main areas of expertise and experience**
  (see page 74)
- **Current directorships:**
  – Directorships and positions – SFL Group:
  - Director

  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
  - Chief Financial Officer of Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
  (none)

Sylvia Desazars de Montgailhard

- **Main areas of expertise and experience**
  (see page 74)
- **Current directorships:**
  – Directorships and positions – SFL Group:
  - Independent director

  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
  - Director:
    - KOIKI (SL) *(Spain)*
    - Sogedad De Estudios Hispano Franceses (SL) *(Spain)*
- **Other directorships and positions held in the past five years**
  (none)

Jean-Jacques Duchamp

- **Main areas of expertise and experience**
  (see page 74)
- **Current directorships:**
  – Directorships and positions – SFL Group:
    - Director
    - Member of the Audit Committee
    - Member of the Executive and Strategy Committee
  – Directorships and positions – Outside the SFL Group:

  In France:
    - Chairman of the Board of Directors:
      - Spirica (SA)
    - Director:
      - CPR - Asset Management (SA)
      - Pacifica (SA)
      - Ramsay Générale de Santé (SA) – *listed company*
    - Permanent representative of Prédica, Director:
      - Gecina (SA) – *listed company*
    - Deputy Chief Executive Officer and member of the Executive Committee:
      - Crédit Agricole Assurances (SA)

  Outside France:
    - Director:
      - CA Vita (SA), *(Italy)*
- **Other directorships and positions held in the past five years**
    - Director of Crédit Agricole Immobilier (SA)
    - Permanent representative of Crédit Agricole Assurances, director of Dolcea Via
    - Permanent representative of Prédica, director of Sanef
    - Member of the Supervisory Board/director of Korian-Medica

Chantal du Rivau

- **Main areas of expertise and experience**
  (see page 74)
- **Current directorships:**
  – Directorships and positions – SFL Group:
    - Director
  – Directorships and positions – Outside the SFL Group:

  In France:
    - Chief Executive Officer:
      - B Immobilier (SA)
      - Iris Holding (SAS)
    - Chair of the Board of Directors and director:
      - OPCI Predica Bureaux*
    - Chair of the Board of Directors:
      - OPCI Predica Habitation*
    - Director:
      - Alta Blue (SAS)
      - B2 Hotel Invest*
      - Camp Invest*
      - Iris Invest 2010*
      - OPCI CAA Kart*
      - Urbis Park (SASU)
      - OPCI Massy Bureaux (SAS)*
      - OPCI Campus*
      - OPCI GHD*
      - GHD Opco Hôtel (SASU)
    - Permanent representative of IMEFA Quatre, director:
      - OPCI CAA Commerces 2*
      - OPCI Messidor*
    - Chaiman:
      - CAA Kart 1 (SASU)
    - Permanent representative of Predica, member of the Supervisory Board:
      - Patrimoine & Commerce (SCA) – *listed company*
    - Member of the Supervisory Board:
      - Unipierre Assurance**
    - Legal Manager:
      - Diapre Un (SARL)

* French mutual fund primarily invested in real estate

** French real estate investment trust

  Outside France: None
- **Other directorships and positions held in the past five years**
    - Chair of the Board of Directors of OPCI Rivers Ouest
    - Chair of CAA Kart 2 *(SASU deregistered on 10 November 2017)*

Carlos Fernandez-Lerga Garralda

- **Main areas of expertise and experience**
  (see pages 74 and 75)
- **Current directorships:**
  – Directorships and positions – SFL Group:
    - Director
    - Chairman of the Audit Committee
  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
    - Independent director, member of the Executive Committee, member of the Audit Committee, Chairman of the Remuneration and Selection Committee:
      - Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
    - Director, Chairman of the Board of Directors, Chairman of the Audit Committee:
      - Iberdrola Ingenieria y Construccion (SA) *(Spain)*
    - Director:
      - El Econômista/Ecoprensa (SA) *(Spain)*
      - EUR - Consultores*(SL) (Spain)*

Carmina Gayet i Cirera

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  – Directorships and positions – SFL Group:
    - Director
    - Member of the Audit Committee
    - Member of the Executive and Strategy Committee
  – Directorships and positions – Outside the SFL Group:

  In France: None

  Outside France:
    - Corporate Managing Director
      - Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
    - Member of the Board of Directors, member of the Audit Committee and member of the Nominations Committee:
      - Repsol – *listed company (Spain)*

- **Other directorships and positions held in the past five years**
    - Director of SIIC de Paris (SA) *(France)*
    - Member of the Board of Directors, Chair of the Remuneration and Nominations Committee, Member of the Executive Committee of ICF (Catalan Finance Institute) *(Spain)*
    - Member of the Board of Directors and member of the Audit Committee of Segur Caixa – Adeslas *(Spain)*

Carlos Krohmer

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  - Directorships and positions – SFL Group:
    - Director
  - Directorships and positions – Outside the SFL Group:

    In France: None

    Outside France:
    - Executive Vice President, Corporate Development, Budget Control and Investor Relations: Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
- **Other directorships and positions held in the past five years**
  (none)

Arielle Malard de Rothschild

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  - Directorships and positions – SFL Group:
    - Independent director
    - Member of the Audit Committee
    - Member of the Remuneration and Selection Committee
  - Directorships and positions – Outside the SFL Group:

    In France:
    - Managing Director:
      - Rothschild & Cie (SCS)
    - Member of the Supervisory Board and member of the Risk Committee:
      - Rothschild & Co (SCA) – *listed company*
    - Director:
      - Groupe Lucien Barrière (SAS)

    Outside France: None
- **Other directorships and positions held in the past five years**
    - Director, member of the Audit and Risk Committee, member of the Strategy Committee of Electrica (UK and Romania)
    - Director and member of the Remuneration Committee of Imerys *(France)*

Luis Maluquer Trepat

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  - Directorships and positions – SFL Group:
    - Director
  - Directorships and positions – Outside the SFL Group:

    In France: None

    Outside France:
    - Independent director, member of the Audit Committee, member of the Remuneration and Selection Committee:
      - Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
    - Director:
      - Filux (SA) *(Spain)*
      - Vitek (SA) *(Spain)*
      - M&M Entertainment (SL) *(Spain)*
      - Pineapple Tree (SL) *(Spain)*
    - Chairman:
      - Camara Argentina de Comercio en España *(Spain)*
- **Other directorships and positions held in the past five years**
    - Director:
      - Aldesago *(Spain)*
      - Fortunella *(Spain)*
      - Maluquer Advocats (SCP) *(Spain)*
      - Praeverto (SLP) *(Spain)*

Nuria Oferil Coll

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  - Directorships and positions – SFL Group:
    - Director
  - Directorships and positions – Outside the SFL Group:

    In France: None

    Outside France:
    - Chief Legal Officer and Vice Secretary to the Board of Directors of Inmobiliaria Colonial (SOCIMI, SA) – listed company (Spain)
- **Other directorships and positions held in the past five years**
  (none)

Pere Viñolas Serra

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  - Directorships and positions – SFL Group:
    - Director
    - Member of the Executive and Strategy Committee
    - Member of the Remuneration and Selection Committee
  - Directorships and positions – Outside the SFL Group:

    In France: None

    Outside France:
    - Chief Executive Officer, member of the Executive Committee:
      - Inmobiliaria Colonial (SOCIMI, SA) – *listed company (Spain)*
    - Director:
      - Electro-Stocks SL *(Spain)*
      - Bluespace *(Spain)*
- **Other directorships and positions held in the past five years**
    - Director: SIIC de Paris

Anthony Wyand

- **Main areas of expertise and experience**
  (see page 75)
- **Current directorships:**
  – Directorships and positions – SFL Group:
  - Independent director
  - Member of the Remuneration and Selection Committee

  – Directorships and positions – Outside the SFL Group:
  In France: Chairman of the Board of Directors:
  - Cybele Asset Management (SA)

  Outside France: None
- **Other directorships and positions held in the past five years**
  - Director:
    - Aviva France *(France)*
    - Aviva Participations *(France)*
    - Société Générale *(France)*
    - UniCredito *(Italy)*

3.9. Directors' attendance rates

		Board meetings	Audit Committee meetings	Remuneration & Selection Committee meetings	Executive & Strategy Committee meetings	Committee of Independent Directors Meetings(1)
Directors	Juan José Brugera Clavero (Chairman)	100%	n/a	n/a	100%	n/a
	Ali bin Jassim Al Thani	83%	n/a	n/a	n/a	n/a
	Angels Arderiu Ibars	83%	n/a	n/a	n/a	n/a
	Anne-Marie de Chalambert(2)	100%	100%	100%	n/a	–
	Sylvia Desazars de Montgailhard	100%	n/a	n/a	n/a	–
	Jean-Jacques Duchamp	100%	100%	n/a	100%	n/a
	Chantal du Rivau	100%	n/a	n/a	n/a	n/a
	Carlos Fernandez-Lerga Garralda	100%	100%	n/a	n/a	n/a
	Carmina Ganyet i Cirera	67%	86%	n/a	100%	n/a
	Carlos Krohmer	83%	n/a	n/a	n/a	n/a
	Arielle Malard de Rothschild(3)	50%	n/a	100%	n/a	–
	Luis Maluquer Trepat	83%	n/a	n/a	n/a	n/a
	Adnane Mousannif(4)	100%	n/a	n/a	n/a	n/a
	Nuria Oferil Coll	100%	n/a	n/a	n/a	n/a
	Pere Viñolas Serra	83%	n/a	100%	100%	n/a
	Anthony Wyand	83%	n/a	100%	n/a	–

n/a: not applicable
(1) No meetings held in 2018
(2) Director until 18 July 2018
(3) Independent director since 26 July 2018, member of the Remuneration and Selection Committee since 9 November 2018, member of the Audit Committee since 19 December 2018
(4) Director until 19 December 2018

3.10. Board practices

3.10.1. Role of the Board of Directors

The Board of Directors has the powers and responsibilities vested in it by law.

In line with its commitment to transparency and to ensuring equitable treatment of all shareholders, particularly individual shareholders, in 1995 SFL introduced corporate governance guidelines whose purpose is to involve the Board more deeply in defining and overseeing strategies related to the Company's financial and operating performance.

In accordance with its internal rules, the Board's prior authorisation is required for all acquisitions, disposals and financial commitments in excess of €20 million.

At least twice a year, in February and July, the Chief Executive Officer informs the Board of the Company's financial position, cash position and commitments. This information is preceded by a presentation, with the participation of the external auditors, to the Audit Committee, which in turn reports to the Board on its own work.

Once a year, the Board approves the following year's budget and the two-to-five year business plan as prepared by management.

3.10.2. Organisation and procedures of the Board of Directors

The Board's organisation and procedures are governed by the Company's Articles of Association and by the Board of Directors' internal rules, which include a director's charter.

Extracts from the Board of Directors' internal rules and ethical and corporate governance standards are presented in sections 3.10.3 and 3.10.4 below.

The internal rules describe the Board's duties and practices, as well as the rights and obligations of individual directors.

3.10.3. Rights and obligations of directors and management of conflicts of interest

In addition to describing the directors' statutory rights and obligations, the director's charter included in the Board's internal rules also describes the directors' duties in such areas as trading in SFL shares, potential conflicts of interest, multiple directorships, regular attendance at Board meetings and confidentiality.

Each director and non-voting director, and each permanent representative of a corporate director, is required to hold at least 25 SFL shares registered in his or her name (in accordance with Article 17 of the Articles of Association). They are required to write to the Chairman of the Board of Directors providing full details of any and all purchases or sales of SFL shares.

In addition, they must notify the Chairman of any directorships and corporate functions held in other named companies during the year and whenever any change occurs.

Directors must act at all times in the Company's interest, attend General Meetings and treat all information received from the Board as strictly confidential.

The Board's internal rules require directors to notify the Board of any potential or actual conflicts of interests and to abstain from voting on the matters concerned.

As recommended in the AFEP-MEDEF Code (June 2018 version), directors who have a conflict of interest abstain from taking part in the debate on the matter giving rise to the conflict.

3.10.4. Work of the Board of Directors in 2018

Article 19 of the Articles of Association stipulates that the Board of Directors shall meet as frequently as necessary in the Company's interests and at least four times a year.

At least five days before each meeting, except for emergency meetings, the directors are given a file on the agenda items that warrant prior analysis and consideration. Where applicable, the file includes the recommendation of the relevant Committee of the Board.

The Board of Directors met six times in 2018, with an average attendance rate of 90%.

The issues covered during the meetings were as follows:

Agenda of the 9 February 2018 meeting

1. Approval of the minutes of the 19 December 2017 meeting
2. Approval of the 2017 financial statements – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' report
3. Dividend
4. Authorisation for the Chief Executive Officer (or any person to whom the Chief Executive Officer's powers are delegated) to issue bonds and other guarantees
5. Other business

Agenda of the 2 March 2018 meeting

1. Approval of the minutes of the 9 February 2018 meeting
2. Preparation of the Annual General Meeting of 20 April 2018
   - Notice of meeting and agenda
   - Approval of the resolutions to be tabled at the Meeting
   - Approval of the reports of the Board of Directors
3. Other business

Agenda of the 20 April 2018 meeting

1. Approval of the minutes of the 2 March 2018 meeting
2. First-quarter 2018 business review
3. Louvre Saint-Honoré: authorisation to sign a conditional off-plan lease
4. Financing: authorisation to retire bond issues
5. Other business
   - Report of the Remuneration and Selection Committee
   - Forecasts and projections

Agenda of the 26 July 2018 meeting

1. Approval of the minutes of the 20 April 2018 meeting
2. Approval of the 2018 interim financial statements and first-half business review – Portfolio valuation – NAV – Audit Committee report – Statutory Auditors' review report
3. Financing
   - Bank financing
   - Commercial paper
4. Other business
   - Report of the Remuneration and Selection Committee

Agenda of the 9 November 2018 meeting

1. Approval of the minutes of the 26 July 2018 meeting
2. 2018 forecast – 2019-2023 Business Plan
3. Changes in the membership of the Board of Directors
4. Strategic review
   - Property purchases/sales
   - Review of a proposed partnership
5. Other business
   - Forecasts and projections
   - Remuneration Committee report
   - Audit Committee report
   - Proposed 2019 meeting schedule

Agenda of the 19 December 2018 meeting

1. Approval of the minutes of the 9 November 2018 meeting
2. Approval of the 2019-2023 Business Plan
3. Investment
4. Changes in the membership of the Board of Directors
5. Other business
   - Review of a proposed partnership
   - Approval of proposed 2019 meeting schedule

3.11. Adoption of the SIIC Code of Conduct

Responding to concerns raised by the French financial market authority (*Autorité des marchés financiers* — AMF) about certain SIICs that are primarily run by outside managers in exchange for significant fees, the French industry federation (FSIF) stated that this was the standard operating procedure for REITs all over the world.

However, at the AMF's request, the FSIF prepared a code of conduct to ensure the transparency of information about fees paid by SIICs to related parties and outside service providers.

The FSIF's Board of Directors adopted the code on 2 July 2008 and asked its members to follow suit.

SFL's Board of Directors approved the adoption of the SIIC Code of Conduct at its meeting of 25 September 2008.

3.12. Corporate governance disclosures

To the best of the Company's knowledge:
- There are no family ties between the members of the Board of Directors and the Auditors.
- No member of the Board of Directors has been found guilty of fraud in at least the past five years.
- No member of the Board of Directors has been involved in a bankruptcy, sequestration or liquidation in at least the past five years.
- No member of the Board of Directors has been charged by the statutory or regulatory authorities in at least the past five years.
- There are no potential conflicts of interest between the members of the Board and their duties to the Company. The director's charter requires directors to disclose any conflicts of interest to the Board and to abstain from voting on related topics.
- No member of the Board of Directors has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer in at least the past five years.
- In accordance with the Articles of Association, each director (acting in his or her own name or as a permanent representative of a legal entity) and each non-voting director must directly own at least 25 SFL shares in registered form. No other restrictions have been agreed by any member of the Company's administrative, management, or supervisory bodies or executive management concerning the disposal within a certain period of time of their SFL shares.
- There are no service contracts between members of the administrative, management or supervisory bodies and SFL or any of its subsidiaries providing for benefits upon termination of employment.

3.13. Committees of the Board

3.13.1. Rules governing the membership and procedures of the Committees of the Board

The decision to create a Committee is made by the Board of Directors. Each Committee generally has three or four members who are appointed by the Board at its discretion, based on their skills and experience. They are not necessarily directors or shareholders of the Company.

The Committees only examine issues submitted to them by the Board of Directors or the Chairman, in the areas falling within their terms of reference as decided by the Board. Under no circumstances may the Committees interfere in the management of the Company or act in any way that would indirectly reduce the powers of the Chief Executive Officer or the Managing Director. They act solely in an advisory capacity. The Committees report to the Board of Directors.

Their members may be appointed for the duration of their term as a director (where applicable) or for a shorter period.

They may be removed by the Board or stand down at any time, without any reason having to be given.

The members of the Committees have the same obligations of allegiance and confidentiality as the directors.

The Committees report to the Board on their work after each of their meetings.

3.13.2. Audit Committee

Members of the Audit Committee as of 31 December 2018:
Chairman: Carlos Fernandez-Lerga Garralda
Members: Jean-Jacques Duchamp
Carmina Ganyet i Cirera
Arielle Malard de Rothschild (independent director)[1]

Anne-Marie de Chalambert ceased being a member of the Audit Committee when she resigned from the Board of Directors on 18 July 2018.

(1) Arielle Malard de Rothschild was appointed as a member of the Audit Committee by the Board of Directors on 19 December 2018.

The Audit Committee members' experience in the areas of finance and accounting is described on pages 74, 77, 78 and 79 of this report.

In accordance with French government order 2016-315 dated 17 March 2016 concerning the reform of the audit profession and as specified in the Board of Directors' internal rules, the role of the Audit Committee is to:
– Monitor the process for the preparation of financial information and make any necessary recommendations to guarantee the information's integrity.
– Make recommendations concerning the appointment or re-appointment of the external auditors.
– Review the financial statements to be presented to the Board.
– Assess the effectiveness of internal controls over procedures, risks and compliance with ethical standards.
– Monitor the effectiveness of internal audits of the procedures for the preparation and processing of accounting and financial information.
– Review the audit plans of the internal and external auditors.
– Verify the independence of the external auditors.
– Approve the provision of non-audit services by the external auditors.
– Report regularly to the Board of Directors on the results of the statutory audit of the financial statements, the ways in which the audit contributed to the integrity of reported financial information and the Committee's role in the process. The Committee is also required to notify the Board immediately of any audit-related problems.

A written report on the work of the Committee is included in the minutes of the Board meeting at which the report is presented.

The Chairman of the Audit Committee reports regularly to the Board of Directors on the Committee's work.

The Committee's work covers:
– A presentation by the external auditors of their main audit findings and of the accounting options used.
– A presentation by the Chief Financial Officer covering the Company's material off-balance sheet risks and commitments.
– The external auditor selection and re-appointment procedure.

Working methods:
– The Audit Committee generally meets to review the financial statements the day before the Board of Directors' review.
– The meeting files are sent to the Committee members five days ahead of the meeting.
– The external auditors and the Chief Financial Officer, who is notably responsible for accounting and cash management issues, make presentations to the Committee during the meeting and respond to members' questions.
– The heads of internal audit and risk management also present their reports and answer the Committee's questions.
– The Committee may be assisted by outside experts, if necessary or useful.

The Audit Committee met seven times in 2018, with an average attendance rate of 91.67%.

The issues covered during the meetings were as follows:

Agenda of the 11 January 2018 meeting

1. Approval of the minutes of the 17 November 2017 meeting
2. 2017 internal audit engagements
   • Engagement 24: Follow-up of recommendations (presentation by KPMG of the engagement completed following the progress review carried out during the 17 November 2017 meeting)
3. 2018 internal audit plan
4. Other business
   • Proposed 2018 meeting schedule

Agenda of the 8 February 2018 meeting

1. Approval of the minutes of the 11 January 2018 meeting
2. Review of the 2017 financial statements
3. Other business

Agenda of the 1 March 2018 meeting

1. Approval of the minutes of the 8 February 2018 meeting
2. Review of the 2017 reports
   • Management report
   • Corporate governance report
   • Appendices

Agenda of the 29 June 2018 meeting

1. Approval of the minutes of the 1 March 2018 meeting
2. 2018 internal audit engagements (progress review)
   • Engagement 25: review of asset appraisal process
   • Engagement 27: review of vacancy risk coverage
3. Services provided by the Statutory Auditors – Renewal of delegations of authority to the Audit Committee (French government order dated 17 March 2016)
4. Non-audit services to be provided by the Statutory Auditors to Colonial – Approval by the Committee (Article L.822-11-2 of the French Commercial Code)
5. Other business
   • Presentation by Aude Grant (Deputy Managing Director – Asset Management and Investments)

Agenda of the 25 July 2018 meeting

1. Approval of the minutes of the 29 June 2018 meeting
2. Review of the 2018 interim financial statements
3. Other business
   • Management indicators at 30 June 2018 (risk monitoring)

Agenda of the 27 September 2018 meeting

1. Approval of the minutes of the 25 July 2018 meeting
2. 2018 internal audit engagements (progress review)
   • Engagement 27: review of vacancy risk coverage/follow-on audit
3. Implementation of the new regulations for the application of the General Data Protection Regulation – Scope and implications for SFL
4. Protection of SFL against the risk of criminal proceedings
5. Other business
   • Presentation by Fabrice Ruchaud (Information Systems Director); initial audit information

Agenda of the 9 November 2018 meeting

1. Approval of the minutes of the 27 September 2018 meeting
2. 2018 internal audit engagements
   - Engagement 26: Review of risk coverage process/Building insurance
   - Engagement 28: Review of insider trading prevention procedures
3. Analysis of the SFL information system
4. KPMG's report on IT risks at SFL
5. Areas to be covered by the 2019 internal audit programme
6. Presentation of the Statutory Auditors' audit approach[1]

For more information about the Audit Committee's work in 2018, see pages 21 and 22 ("Internal control" section).

3.13.3. Remuneration and Selection Committee

Members of the Remuneration and Selection Committee as of 31 December 2018:
Chairman: Anthony Wyand (independent director)
Members: Arielle Malard de Rothschild (Independent director)[1]
Pere Viñolas Serra

Anne-Marie de Chalambert ceased being a member of the Remuneration and Selection Committee when she resigned from the Board of Directors on 18 July 2018.
(1) Arielle Malard de Rothschild was appointed as a member of the Remuneration and Selection Committee by the Board of Directors on 9 November 2018.

As recommended in the AFEP-MEDEF Corporate Governance Code, the majority of Remuneration and Selection Committee members are independent directors.

In accordance with the Board of Directors' internal rules, the role of the Remuneration and Selection Committee is to:
– Make recommendations to the Board concerning the remuneration of the Chairman, Chief Executive Officer and Managing Director, directors' fees, stock option or performance share plans and specific incentive bonus plans.
– Make recommendations to the Board concerning candidates for election to the Board and senior management succession planning, particularly when a seat on the Board or a senior management position falls vacant for unforeseeable reasons or following a change in the number of seats on the Board.

The Remuneration and Selection Committee met four times in 2018, with an average attendance rate of 100%.

The issues covered during the meetings were as follows:

Agenda of the 9 February 2018 meeting

1. Payment of the corporate officers' 2017 bonuses
2. 2018 remuneration of the Chief Executive Officer and the Managing Director

Agenda of the 22 March 2018 meeting

1. 2018 performance share plan
2. Qualitative objectives set for the Chief Executive Officer and the Managing Director for 2018
3. Succession plan
4. Other business

Agenda of the 26 July 2018 meeting

1. Selection and proposal for appointment by the Board of Directors of a new independent director to replace Anne-Marie de Chalambert.
2. Succession plan
3. New method of calculating directors' fees
4. Other business (long-term incentive bonus)

Agenda of the 9 November 2018 meeting

1. Approval of the minutes of the 26 July 2018 meeting
2. 2019 bonus formula for the Chief Executive Officer and the Managing Director
3. Membership of the Audit Committee and the Remuneration and Selection Committee following the resignation of Anne-Marie de Chalambert
4. Other business

3.13.4. The Executive and Strategy Committee

Members of the Executive and Strategy Committee as of 31 December 2018:
Chairman: Juan José Brugera Clavero
Members: Jean-Jacques Duchamp
Carmina Ganyet i Cirera
Pere Viñolas Serra

In accordance with the Board of Directors' internal rules, the role of the Executive and Strategy Committee is to:
– Advise the Board and senior management in defining the Company's strategic vision to drive business growth in the best interests of the Company and all of its shareholders.
– Help the Board and senior management to efficiently fulfil their respective responsibilities, by acting as an interface for strategic issues and transactions.
– Review the Company's business plans and projections in order to assess the medium- and long-term outlook.
– Review and make recommendations concerning planned transactions that require the Board's prior approval.
– Report to the Board on its activities.

The Executive and Strategy Committee met once in 2018, with an attendance rate of 100%.

The matters covered during the meeting were as follows:

Agenda of the 23 July 2018 meeting

1. Strategic review of the current situation in the property market
2. Possible partnership

3.13.5. Committee of Independent Directors

Members of the Committee of Independent Directors as of 31 December 2018:
- Sylvia Desazars de Montgailhard
- Arielle Malard de Rothschild
- Anthony Wyand

The role of the Committee of Independent Directors is to make recommendations to the Board concerning any proposed transactions leading to a possible reorganisation of the Company's ownership structure.

It did not hold any meetings in 2018.

(1) The presentation was split between this meeting and the January 2019 meeting of the Audit Committee.

4. Remuneration policy – Chairman of the Board of Directors and Chief Executive Officer

In accordance with Article L.225-37-2 of the French Commercial Code, as amended by French government order 2017-1162 dated 12 July 2017, this section presents the principles and criteria for determining, allocating and awarding the fixed, variable and special components of the remuneration and benefits awarded to the Chairman of the Board of Directors and the Chief Executive Officer.

The Board of Directors is submitting for approval at the Annual General Meeting the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the 2019 remuneration and benefits of Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors and Nicolas Reynaud in his capacity as Chief Executive Officer, as described below.

In accordance with Article L.225-37-2 of the French Commercial Code, payment of the variable and special components of their remuneration, as presented in this section, will depend on their remuneration being approved by the Annual General Meeting to be held in 2020 to approve the 2019 financial statements.

4.1. Principles and criteria applied to determine the remuneration of the Chairman of the Board of Directors

The principles and criteria applied to determine the components of the 2019 remuneration of the Chairman of the Board of Directors are described below. These principles and criteria were decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

4.1.1 Salary

The Chairman of the Board of Directors is paid a fixed fee, the amount of which is decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

4.1.2 Directors' fees

The Chairman of the Board of Directors receives directors' fees allocated by the Board of Directors from the total fees awarded by the General Meeting of Shareholders.

4.1.3 Performance shares

In line with the 38-month authorisation given by the Annual General Meeting of 20 April 2018, at its meeting held on the same day the Board of Directors decided to set up a new performance share plan (Plan 5).

The Chairman of the Board of Directors is eligible to participate in this plan.

Performance shares granted under Plan 5 will vest provided that the grantee has not left the Group on the vesting date and the performance targets described below are met.

The Plan 5 Rules are as follows:

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

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. In addition, after the end of this statutory two-year lock-up period, the Chairman will be required to keep 40% of the shares for the remainder of his period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of his annual remuneration.

The Plan 5 rules are presented in Appendix 13.2 of the Management Report (pages 64 to 66).

4.2. Principles and criteria applied to determine the remuneration of the Chief Executive Officer

The principles and criteria applied to determine the components of the 2019 remuneration of the Chief Executive Officer are described below. These principles and criteria were decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

4.2.1 Salary

The Chief Executive Officer is paid a salary, the amount of which is decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

It is reviewed annually by the Remuneration and Selection Committee and the Board of Directors, and may be adjusted taking into account the Company's business and financial performance for the previous year.

4.2.2 Bonus

The Chief Executive Officer is entitled to a bonus, the amount of which is decided by the Board of Directors on the recommendation of the Remuneration and Selection Committee.

The bonus calculation formula is reviewed annually by the Remuneration and Selection Committee and the Board of Directors.

For the 2018 formula, the Remuneration and Selection Committee based its recommendation to the Board of Directors on a benchmarking survey performed by an independent firm of consultants in 2015 and on other analyses performed in prior periods.

The Chief Executive Officer's maximum total bonus for 2018 (based on 100% achievement of the performance targets) has been set at an amount equal to his annual salary, before the effect of the coefficient applied to calculate the quantitative bonus.

His total bonus comprises a quantitative bonus for 50%, based on growth in the Group's EPRA earnings and rental income, and a qualitative bonus for 50%, based on individual objectives.

Quantitative bonus

To determine the quantitative bonus for a given year, the overall target achievement rate for the year concerned is calculated as the arithmetical average of the achievement rates for the EPRA earnings and rental income targets. This overall target achievement rate is used to determine the quantitative bonus, applying the following correspondence table:

Overall target achievement rate	Quantitative bonus calculated as a % of salary(1)
	Chief Executive Officer
A. 122% and over	145%
B. 100%	100%
C. 70% and over	60%
D. Less than 70%	0

(1) Before weighting for the 50% portion of the total bonus represented by the quantitative bonus.

The total bonus (qualitative bonus + quantitative bonus) is adjusted by applying a coefficient corresponding to the following ratio: Current year EPRA earnings/Prior year EPRA earnings.

The coefficient is determined as shown below:

Current year EPRA earnings/Prior year EPRA earnings	**Coefficient**
Less than 90%	90%
90% to 95%	90% to 100% (linear)
95% to 105%	100% (constant)
105% to 110%	100% to 110% (linear)
More than 110%	110%

Where necessary, the bonus is adjusted to take into account any changes in Group structure that have taken place during the year.

Qualitative bonus

The qualitative criteria are established in advance and clearly defined by the Board of Directors, on the recommendation of the Remuneration and Selection Committee. They are not disclosed for business confidentiality reasons. Actual performance in relation to the targets is assessed each year by the Remuneration and Selection Committee.

4.2.3 Performance shares

In line with the 38-month authorisation given by the Annual General Meeting of 20 April 2018, at its meeting held on the same day the Board of Directors decided to set up a new performance share plan (Plan 5).

Performance shares granted under Plan 5 will vest provided that the grantee has not left the Group on the vesting date and the performance targets described in section 4.1.3 above are met.

The Plan 5 rules are presented in section 4.1.3 above and in Appendix 13.2 of the Management Report (pages 64 to 66).

4.2.4 Benefits in kind

The Chief Executive Officer has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC).

4.2.5 Other benefits

The Chief Executive Officer is entitled to matching employer payments on his voluntary contributions to the SFL Group Pension Savings Plan (PERCO) and also participates in the Group's discretionary profit-sharing scheme.

4.2.6 Compensation for loss of office

Compensation for loss of office equal to two years' salary and bonus would be payable to the Chief Executive Officer in the event that his departure was (i) imposed, (ii) linked to a change in control or strategy and (iii) decided for reasons other than gross or wilful misconduct. It would be calculated based on:

- his annual salary applicable at the time of his loss of office, and

- until 31 December 2017, the last annual bonus paid to him prior to his loss of office and, from 1 January 2018, the average of his last three annual bonuses.

No special bonuses or other components of his remuneration package would be taken into account in the calculation.

The compensation amount would also depend on the growth in the previous year's EPRA earnings compared with the average increase for the two preceding years, as follows:

Prior year EPRA vs average for the two preceding years	Compensation for loss of office
100% or more	100%
Between 90% and 100%	80%
Between 75% and 90%	50%
Less than 75%	0%

In effecting the comparison, changes in the property portfolio in the years concerned would be taken into account.

This compensation for loss of office was approved by the Annual General Meeting of 22 April 2015.

4.3. Service contracts with members of the administrative, management or supervisory bodies

There are no service contracts between members of the administrative, management or supervisory bodies and SFL or any of its subsidiaries providing for benefits upon termination of employment.

5. Remuneration and benefits paid to the Chairman of the Board of Directors, the Chief Executive Officer, the Managing Director and other members of executive management for 2018

5.1. Remuneration and benefits paid to the Chairman, the Chief Executive Officer and the Managing Director

This section presents the 2018 remuneration and benefits paid to Juan José Brugera Clavero, Chairman of the Board of Directors, Nicolas Reynaud, Chief Executive Officer, and Dimitri Boulte, Managing Director.

The tables presented in section 5.1.4 below have been prepared in accordance with the AMF's position paper/recommendation 2009-16 and the AFEP-MEDEF Corporate Governance Code for Listed Companies.

The components of the 2018 remuneration and benefits payable to Juan José Brugera Clavero, Chairman of the Board of Directors, and Nicolas Reynaud, Chief Executive Officer, in accordance with the remuneration policy approved by shareholders at the Annual General Meeting of 20 April 2018 (10^{th} and 11^{th} ordinary resolutions, respectively) are subject to shareholder approval at the Annual General Meeting of 5 April 2019 in accordance with Article L.225-100 of the French Commercial Code. See below for details.

5.1.1 Remuneration and benefits due or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2018

Fixed fee

Juan José Brugera Clavero was paid a fixed fee of €150,000 in his capacity as Chairman of the Board of Directors.

Directors' fees

In addition, Mr. Brugera Clavero received directors' fees of €60,000, including a fixed annual fee of €40,000 and variable fees of €20,000.

Performance shares

On 20 April 2018, the Board of Directors decided to grant 6,000 Plan 5 performance shares to Juan José Brugera Clavero. Plan 5 rules are presented in section 4.1.3 above and in Appendix 13.2 of the Management Report (pages 64 to 66).

The following table presents the components of the remuneration and benefits due or awarded to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors for 2018:

Components of remuneration due or awarded for the year ended 31 December 2018	Amount or accounting value	Comments
Fixed fee	€150,000	The fixed fee for 2018 is unchanged from 2017.
Annual bonus	N/A	Juan José Brugera Clavero is not entitled to any annual bonus.
Long-term incentive bonus	N/A	Juan José Brugera Clavero is not entitled to any long-term incentive bonus.
Special bonus	N/A	Juan José Brugera Clavero is not entitled to any special bonus.
Stock options, performance shares and other deferred remuneration	€145,914	Juan José Brugera Clavero was granted 6,000 performance shares by the Board on 20 April 2018.
Directors' fees	€60,000	Juan José Brugera Clavero receives attendance fees as a director of the Company.
Benefits in kind	N/A	Juan José Brugera Clavero is not entitled to any fringe benefits.

Components of remuneration due or awarded for the year ended 31 December 2018 subject to approval by the Annual General Meeting under the procedure covering related party agreements and commitments	Amount	Comments
Compensation for loss of office	N/A	Juan José Brugera Clavero would not be entitled to any compensation for loss of office.
Non-compete indemnity	N/A	Juan José Brugera Clavero would not be entitled to any non-compete indemnity.
Supplementary pension benefits	N/A	Juan José Brugera Clavero does not participate in any supplementary pension plan set up by the Group.

5.1.2 Remuneration and benefits due or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2018

Salary

Nicolas Reynaud was paid a gross annual salary of €350,000 for 2018.

Bonus

Nicolas Reynaud's 2018 bonus, calculated by the method decided by the Board of Directors on 9 February 2018, amounted to €361,143, as follows:
– A quantitative bonus of €186,143, based on growth in the Group's EPRA earnings and rental income. This bonus reflects an achievement rate of 103.11% compared to the objectives.
– A qualitative bonus of €175,000, based on performance in relation to personal objectives (not disclosed for business confidentiality reasons).

Payment of the bonus is subject to shareholder approval at the Annual General Meeting on 5 April 2019.

At its meeting on 22 March 2018, the Remuneration and Selection Committee added corporate social responsibility (CSR) criteria to the qualitative objectives on which the bonuses of Nicolas Reynaud and Dimitri Boulte are based. These criteria are as follows:
– Long-term improvement in the Group's CSR performance
– Inclusion of CSR considerations in the Group's development plans
– Relevance of performance goals.

Performance shares

On 20 April 2018, the Board of Directors decided to grant 20,000 Plan 5 performance shares to Nicolas Reynaud. The Plan 5 rules are presented in section 4.1.3 above and in Appendix 13.2 of the Management Report (pages 64 to 66).

Compensation for loss of office

None

Benefits in kind

Nicolas Reynaud has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC).

The following table presents the components of the remuneration and benefits due or awarded to Nicolas Reynaud in his capacity as Chief Executive Officer for 2018:

Components of remuneration due or awarded for the year ended 31 December 2018	Amount or accounting value	Comments
Salary	€350,000	Nicolas Reynaud's 2018 salary was unchanged from 2017.
Annual bonus	€361,143 (Payment of the bonus is subject to shareholder approval at the Annual General Meeting on 5 April 2019)	Nicolas Reynaud's target bonus is determined based on quantitative and qualitative criteria decided each year by the Board of Directors on the recommendation of the Remuneration and Selection Committee.
Long-term incentive bonus	N/A	Nicolas Reynaud is not entitled to any long-term incentive bonus.
Special bonus	N/A	Nicolas Reynaud is not entitled to any special bonus.
Stock options, performance shares and other deferred remuneration	€486,380	Nicolas Reynaud was granted 20,000 performance shares by the Board on 20 April 2018.
Directors' fees	N/A	Nicolas Reynaud does not receive any directors' fees.
Benefits in kind	€17,566	Nicolas Reynaud has the use of a company car and is covered by private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC).
Other	€20,093	Matching employer payments on voluntary contributions for 2018 to the SFL Group Pension Savings Plan (PERCO), rights under the discretionary profit-sharing plan for 2017, paid in 2018 (profit shares for 2018 had not been determined as of the date this document was published).

Components of remuneration due or awarded for the year ended 31 December 2018 subject to approval by the Annual General Meeting under the procedure covering related party agreements and commitments	Amount	Comments
Compensation for loss of office	N/A in 2018	Nicolas Reynaud would receive compensation for loss of office equal to two years' salary and bonus (based on his annual salary on the separation date) if he were to be dismissed from his position as Chief Executive Officer as a result of a change of control or strategy (and for reasons other than gross or wilful misconduct), provided certain performance conditions were met. This compensation for loss of office was approved by the Annual General Meeting of 22 April 2015.
Non-compete indemnity	N/A	Nicolas Reynaud would not be entitled to any non-compete indemnity.
Supplementary pension benefits	N/A	Nicolas Reynaud does not participate in any supplementary pension plan set up by the Group.

5.1.3 Remuneration and benefits due or awarded to Dimitri Boulte, Managing Director, for the year ended 31 December 2018

Dimitri Boulte was appointed Managing Director by the Board of Directors on 27 January 2015. He does not receive any remuneration in his capacity as Managing Director, but is paid a salary and bonus under his employment contract with the Company, for his services as Chief Operating Officer. The amounts reported below therefore correspond to his remuneration as a salaried employee.

Salary

Dimitri Boulte was paid a gross annual salary of €270,754 for 2018.

Bonus

Dimitri Boulte's 2018 bonus, calculated by the method decided by the Board of Directors on 9 February 2018, amounted to €222,877.

Performance shares

On 20 April 2018, the Board of Directors decided to grant 16,000 Plan 5 performance shares to Dimitri Boulte. The Plan 5 rules are presented in section 4.1.3 above and in Appendix 13.2 of the Management Report (pages 64 to 66).

Benefits in kind

Dimitri Boulte has the use of a company car.

Termination benefit

None

The following table presents the components of the remuneration and benefits due or awarded to Dimitri Boulte in his capacity as Managing Director for 2018:

Components of remuneration due or awarded for the year ended 31 December 2018	Amount or accounting value	Comments
Salary	€270,754	Dimitri Boulte's salary was increased by €20,000 in 2018 compared with 2017.
Annual bonus	€222,877	Dimitri Boulte's target bonus is determined based on quantitative and qualitative criteria decided each year by the Board of Directors on the recommendation of the Remuneration and Selection Committee.
Long-term incentive bonus	N/A	Dimitri Boulte is not entitled to any long-term incentive bonus.
Special bonus	N/A	Dimitri Boulte is not entitled to any special bonus.
Stock options, performance shares and other deferred remuneration	€389,104	Dimitri Boulte was granted 16,000 performance shares by the Board on 20 April 2018.
Directors' fees	N/A	Dimitri Boulte does not receive any directors' fees.
Benefits in kind	€6,659	Company car.
Other	€49,514	Matching employer payments on voluntary contributions for 2018 to the SFL Group Pension Savings Plan (PERCO), rights under the discretionary profit-sharing plan for 2017, paid in 2018 (profit shares for 2018 had not been determined as of the date this document was published).
Compensation for loss of office	Not applicable in 2018	Under his employment contract, Dimitri Boulte would be entitled to a termination benefit if he were to leave the Company following a change of control, equal to double the total gross remuneration due for the calendar year preceding the change of control.
Non-compete indemnity	N/A	Dimitri Boulte would not be entitled to any non-compete indemnity.
Supplementary pension benefits	N/A	Dimitri Boulte does not participate in any supplementary pension plan set up by the Group.

5.1.4 Remuneration summaries

The following tables have been prepared in accordance with the AMF's position paper/recommendation no. 2009-16 and the AFEP-MEDEF Corporate Governance Code for Listed Companies as revised in June 2018.

The amounts in the tables below are presented in euros.

TABLE 1 – SUMMARY OF REMUNERATION PAID AND STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José Brugera Clavero Chairman of the Board	2017	2018
Remuneration due for the year (see Table 2 for details)	211,000	210,000
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year(1) (see Table 6 for details)	90,546	145,914
Other deferred remuneration	0	0
Total	**301,546**	**355,914**

(1) 4,500 performance shares were granted to Juan José Brugera Clavero at the Board Meeting of 3 March 2017 (2017 Plan) and 6,000 at the Board Meeting of 20 April 2018 (2018 Plan). The performance share grant and vesting conditions and values are presented in Appendix 13.2 (pages 64 to 66).

Nicolas Reynaud Chief Executive Officer	2017	2018
Remuneration due for the year (see Table 2 for details)	746,316	748,802
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year(1) (see Table 6 for details)	301,821	486,380
Other deferred remuneration	0	0
Total	**1,048,137**	**1,235,182**

(1) 15,000 performance shares were granted to Nicolas Reynaud at the Board Meeting of 3 March 2017 (2017 Plan) and 20,000 at the Board Meeting of 20 April 2018 (2018 Plan). The performance share grant and vesting conditions and values are presented in Appendix 13.2 (pages 64 to 66).

Dimitri Boulte, Managing Director and Chief Operating Officer	2017	2018
Remuneration due for the year(1) (see Table 2 for details)	486,284	549,804
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year(2) (see Table 6 for details)	241,457	389,104
Other deferred remuneration	0	0
Total	**727,741**	**938,908**

(1) Dimitri Boulte's remuneration presented above corresponds to the amounts paid to him under his employment contract as Chief Operating Officer. He is not paid any additional remuneration for serving as Managing Director since 27 January 2015.
(2) 9,000 performance shares were granted to Dimitri Boulte at the Board Meeting of 3 March 2017 (2017 Plan) and 16,000 at the Board Meeting of 20 April 2018 (2018 Plan). The performance share grant and vesting conditions and values are presented in Appendix 13.2 (pages 64 to 66).

The following tables provide summary information about the remuneration paid to Juan Jose Brugera Clavero, Nicolas Reynaud and Dimitri Boulte for 2015 and 2016:

Juan José Brugera Clavero Chairman of the Board	2015	2016
Remuneration due for the year	186,000	186,000
Long-term incentive bonus	0	0
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year	76,663	88,159
Other deferred remuneration	0	0
Total	**262,663**	**274,159**

Nicolas Reynaud Chief Executive Officer	2015	2016
Remuneration due for the year	745,325	785,599
Long-term incentive bonus	0	0
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year	191,657	293,865
Other deferred remuneration	0	0
Total	**936,982**	**1,079,464**

Dimitri Boulte Managing Director/Chief Operating Officer	2015	2016
Remuneration due for the year	425,451	482,012
Long-term incentive bonus	0	0
Fair value of stock options granted during the year	0	0
Fair value of performance shares granted during the year	153,326	235,092
Other deferred remuneration	0	0
Total	**578,777**	**717,104**

TABLE 2 – BREAKDOWN OF REMUNERATION PAID TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Juan José Brugera Clavero Chairman of the Board of Directors	2017		2018	
	Due	Paid	Due	Paid
Fixed fee(1)	150,000	150,000	150,000	150,000
Annual bonus	0	0	0	0
Special bonus	0	0	0	0
Directors' fees(2)	61,000	61,000	60,000	60,000
Benefits in kind	0	0	0	0
Other	0	0	0	0
Total	**211,000**	**211,000**	**210,000**	**210,000**

(1) The above remuneration was paid to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors.
(2) Annual directors' fees allocated by decision of the Board of Directors on 3 March 2017.

Nicolas Reynaud Chief Executive Officer	2017		2018	
	Due	Paid	Due	Paid
Fixed fee(1)	350,000	350,000	350,000	350,000
Annual bonus(2)	355,322	355,322	361,143	361,143
Special bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind(3)	17,386	17,386	17,566	17,566
Other(4)	23,608	23,608	20,093	20,093
Total	**746,316**	**746,316**	**748,802**	**748,802**

(1) The salaries of Nicolas Reynaud and Dimitri Boulte are reviewed annually and may be increased depending on the Company's business and financial results for the previous year.
At its meeting on 10 February 2017, the Board of Directors decided to increase Nicolas Reynaud's salary to €350,000 for 2017 from €340,000 in 2016.
The increase was decided based on the recommendation of the Remuneration and Selection Committee which met on 30 January 2017, after considering appropriate benchmarks and the growth in the Company's results, P&L indicators and balance sheet indicators.

(2) The method for calculating Nicolas Reynaud's bonus was decided by the Board of Directors on 10 February 2017 for the 2017 bonus and on 9 February 2018 for the 2018 bonus.
The performance criteria used to determine the 2017 bonuses of the Chief Executive Officer and the Managing Director were decided by the Board of Directors at its meeting on 10 February 2017, based on the recommendation of the Remunerations and Selection Committee.
The bonuses were based on a mix of quantitative and qualitative criteria, as follows:
- 50% based on the Company's performance in relation to two criteria: EPRA earnings and rental income (quantitative bonus), and
- 50% based on their performance in relation to their personal objectives (qualitative bonus).

To determine the 2017 quantitative bonuses, the Board of Directors decided to set the following objectives for the two performance criteria:
- 2017 EPRA earnings target of €100 million, and
- 2017 rental income target of €194.7 million.

The average of the achievement rates for these two criteria was taken as the overall achievement rate used to determine the quantitative bonuses for 2017, applying the following correspondence table:

Overall target achievement rate	Quantitative bonus calculated as a % of salary(1)	
	Chief Executive Officer	Managing Director/Chief Operating Officer
A. 122% and over	145%	116%
B. 100%	100%	80%
C. 70% and over	60%	48%
D. Less than 70%	0	0

(1) Before weighting for the portion of the total bonus represented by the quantitative bonus.
- Less than 70%: 0
- Between 70% and 100%: linear calculation between rates C and B
- 100%: rate B
- Between 100% and 122%: linear calculation between rates B and A
- Above 122%: rate A

The amount obtained by the above calculation has been multiplied by a coefficient based on the following ratio: **Current year EPRA earnings/Prior year EPRA earnings.**

The coefficient was determined as shown in the following table:

Current year EPRA earnings/Prior year EPRA earnings	Coefficient
Less than 90%	90%
90% to 95%	90% to 100% (linear)
95% to 105%	100% (constant)
105% to 110%	100% to 110% (linear)
More than 110%	110%

The performance targets for the 2018 bonuses of the Chief Executive Officer and the Managing Director were approved by the Board of Directors on 9 February 2018 based on the recommendation of the Remuneration and Selection Committee.
The components of the bonus are unchanged, as follows:
- 50% based on the Company's performance in relation to two criteria: EPRA earnings and rental income (quantitative bonus), and
- 50% based on personal performance targets (qualitative bonus).

To determine the 2018 quantitative bonuses, the Board of Directors decided to set the following objectives for the two performance criteria:
- EPRA earnings target of €**102.6** million, and
- Rental income target of €**189.2** million.

The average of the achievement rates for these two criteria has been taken as the overall achievement rate used to determine the quantitative bonus for 2018, applying the above correspondence table, which is unchanged from 2018.

The amount obtained by the above calculation has been multiplied by a coefficient based on the following ratio: **Current year EPRA earnings/Prior year EPRA earnings**

The coefficient has been determined as shown in the following table and is unchanged from 2017:

Current year EPRA earnings/Prior year EPRA earnings	Coefficient
Less than 90%	90%
90% to 95%	90% to 100% (linear)
95% to 105%	100% (constant)
105% to 110%	100% to 110% (linear)
More than 110%	110%

The qualitative performance targets for 2017 and 2018 were clearly defined in advance. They are not disclosed for business confidentiality reasons.
(3) Benefits in kind: company car and private unemployment insurance (*Garantie Sociale des Chefs et Dirigeants d'Entreprise* – GSC).
(4) Matching employer payments on voluntary contributions for 2017 and 2018 to the SFL Group Pension Savings Plan (PERCO), rights under the discretionary profit-sharing plan for 2016 and 2017, paid in 2017 and 2018 respectively (profit shares payable in respect of 2018 had not been determined as of the date this document was published).

Dimitri Boulte, Managing Director and Chief Operating Officer	2017		2018	
	Due	Paid	Due	Paid
Salary[(1)]	250,377	250,377	270,754	270,754
Annual bonus[(2)]	203,041	203,041	222,877	222,877
Long-term incentive bonus	0	0	0	0
Special bonus	0	0	0	0
Directors' fees	0	0	0	0
Benefits in kind[(3)]	6,595	6,595	6,659	6,659
Other[(4)]	26,271	26,271	49,514	49,514
Total	**486,284**	**486,284**	**549,804**	**549,804**

(1) The salaries of Nicolas Reynaud and Dimitri Boulte are reviewed annually and may be increased depending on the Company's business and financial results for the previous year.
At its meeting on 9 February 2018, the Board of Directors decided to increase Dimitri Boulte's salary to €270,000 for 2018 from €250,000 in 2017. The increase was decided based on the recommendation of the Remuneration and Selection Committee, after considering the growth in the Company's results, P&L indicators and balance sheet indicators.
(2) The bonus paid to Dimitri Boulte in his capacity as Chief Operating Officer is determined by the method applied to the bonuses of salaried Management Committee members, as decided by the Board of Directors on 10 February 2017 for the 2017 bonus and on 9 February 2018 for the 2018 bonus.
The criteria and method applied to determine the bonus are described in footnote (2) to the above table concerning Nicolas Reynaud.
(3) Company car.
(4) Matching employer payments on voluntary contributions for 2017 and 2018 to the SFL Group Pension Savings Plan (PERCO), rights under the non-discretionary and discretionary profit-sharing plans for 2016 and 2017, paid in 2017 and 2018 respectively (profit shares payable in 2017 in respect of 2018 had not been determined as of the date this document was published).

TABLE 10 – LONG-TERM INCENTIVE BONUSES AWARDED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR

Name	2016	2017	2018
Juan José Brugera Clavero	No long-term incentive bonus was awarded during the period		
Nicolas Reynaud	No long-term incentive bonus was awarded during the period		
Dimitri Boulte	No long-term incentive bonus was awarded during the period		

TABLE 4 – STOCK OPTIONS GRANTED DURING THE YEAR TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	Plan no. and date	Type of stock options (purchase or subscription)	Fair value of stock options as calculated in the consolidated accounts	Number of stock options granted during the year	Exercise price (in €)	Exercise period
Juan José Brugera Clavero	No stock options were granted during the year					
Nicolas Reynaud	No stock options were granted during the year					
Dimitri Boulte	No stock options were granted during the year					

TABLE 5 – STOCK OPTIONS EXERCISED BY THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR DURING THE YEAR

Name	Plan no. and date	Number of stock options exercised during the year	Exercise price
Juan José Brugera Clavero	No stock options were exercised during the year		
Nicolas Reynaud	No stock options were exercised during the year		
Dimitri Boulte	No stock options were exercised during the year		

TABLE 6 – PERFORMANCE SHARES GRANTED DURING THE YEAR TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR BY SFL OR OTHER GROUP COMPANIES

Name	Plan no. and date	Number of performance shares granted during the year(1)	Fair value of performance shares as calculated in the consolidated accounts(2)	Vesting date(3)	End of lock-up period(4)	Performance conditions(5)
Juan José Brugera Clavero	Plan 5 20 April 2018	6,000	145,914	20 April 2021	20 April 2023	(5)
Nicolas Reynaud	Plan 5 20 April 2018	20,000	486,380	20 April 2021	20 April 2023	(5)
Dimitri Boulte	Plan 5 20 April 2018	16,000	389,104	20 April 2021	20 April 2023	(5)
Directors	No performance shares were granted during the year					

(1) 42,000 performance share rights granted to the Chairman, the Chief Executive Officer and the Managing Director under the performance share plan approved by the Board of Directors on 20 April 2018 pursuant to an authorisation given by the Annual General Meeting of 20 April 2018. The reported number corresponds for each grantee to the maximum number of shares that may vest under the plan approved by the Board of Directors on 20 April 2018, provided that they remain with the Group until the end of the vesting period and the performance conditions are met. Details of the performance conditions are provided in Appendix 13.2 (pages 64 to 66).

(2) The fair value of the performance shares corresponds to the number of shares expected to vest multiplied by the fair value per share. The number of shares expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate (100%). The fair value per share corresponds to the share price on the grant date, adjusted for the discounted value of future dividends expected to be paid during the vesting period (€48.638 for performance share rights granted under the plan dated 20 April 2018).

(3) Date when the performance shares will vest, provided that the grantee remains with the Group until that date and the performance conditions are met. The vesting date is timed to fall fifteen 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 following the grant date and not less than three years after the grant date (i.e., 20 April 2021 at the earliest).

(4) Performance shares may not be sold or otherwise transferred for two years after the vesting date, with certain exceptions such as in the case of disability or death. In addition, in accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code, after the end of the statutory two-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director are required to keep 40% of the shares for the remainder of their period of service with the Company, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

(5) The number of shares that vest depends on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking is established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share plus dividends paid over the vesting period. The performance criteria are presented in Appendix 13.2 (pages 64 to 66).

To the best of the Company's knowledge, no hedging instruments have been acquired to cover the equity risk associated with the performance shares.

TABLE 7 – PERFORMANCE SHARES GRANTED TO THE CHAIRMAN, THE CHIEF EXECUTIVE OFFICER AND THE MANAGING DIRECTOR THAT BECAME AVAILABLE DURING THE YEAR

Name	Plan no. and date	Number of performance shares that became available during the year
Juan José Brugera Clavero	Plan 1 5 March 2013	3,750
Nicolas Reynaud	Plan 1 5 March 2013	4,368
Dimitri Boulte	Plan 1 5 March 2013	7,500

TABLE 11 – INFORMATION ABOUT EMPLOYMENT CONTRACTS, SUPPLEMENTARY PENSION SCHEMES, TERMINATION BENEFITS PAYABLE OR LIKELY TO BE PAYABLE AND NON-COMPETE INDEMNITIES

Name	Employment contract		Supplementary pension benefits		Termination benefits payable or likely to be payable		Non-compete indemnities	
	Yes	No	Yes	No	Yes	No	Yes	No
Juan José Brugera Clavero Chairman of the Board of Directors - Appointed: 14 April 2010 - Term expires: 2019 AGM		X		X		X		X
Nicolas Reynaud Chief Executive Officer - Appointed: 27 January 2015 - Term expires: appointed for an indefinite period		X		X	X(1)			X
Dimitri Boulte Managing Director - Appointed: 27 January 2015 - Term expires: appointed for an indefinite period	X(2)			X	X(3)			X

(1) The terms and conditions governing the compensation for loss of office as Chief Executive Officer that would be payable to Nicolas Reynaud were decided by the Board of Directors at its meeting on 27 January 2015 (see section 4.2.6 above for details).
(2) In 2018, Dimitri Boulte had an employment contract covering his duties as Chief Operating Officer, a position he has held since 21 February 2011.
The position of Managing Director, to which he was appointed by the Board on 27 January 2015, is not covered by the AFEP-MEDEF Corporate Governance Code, according to which, in a company with a Board of Directors, the Chairman of the Board and/or the Chief Executive Officer should not have an employment contract with the company.
(3) In 2018, Dimitri Boulte would not have been entitled to any compensation for loss of office in the event that his appointment as Managing Director were to be terminated. However, under his employment contract, Dimitri Boulte would be entitled to a termination benefit if he were to leave the Company following a change of control, equal to double the total gross remuneration due for the calendar year preceding the change of control.

5.2. Directors' fees

Concerning directors' remuneration, at the Annual General Meeting of 28 April 2017 (16th ordinary resolution), the total attendance fees awarded to directors were increased from €400,000 to €800,000 as from 2017.

At its meeting held immediately after the Annual General Meeting, the Board of Directors confirmed the allocation of directors' fees decided at its meeting on 3 March 2017 based on the Remuneration and Selection Committee's recommendation of 2 March 2017. Consequently, as from 1 January 2017 and until a new decision is made, directors' fees are allocated as follows:

Fixed annual fee:	Director:	€20,000
	Member of a Committee of the Board:	€30,000
	Chairman of the Board and/or of a Committee of the Board:	€40,000
Variable fee:	Per meeting of the Board:	€3,000
	Per meeting of a Board Committee:	€2,000

As shown above, since 1 January 2017 the Company partially complies with the recommendation in the AFEP-MEDEF Code (Article 20.1) that directors' fees should consist primarily of a variable portion that takes into account each director's attendance rate at board meetings and meetings of board committees.

There are no agreements providing for the payment of compensation for loss of office to directors in any circumstances.

TABLE 3 – DIRECTORS' FEES AND OTHER REMUNERATION PAID TO NON-EXECUTIVE DIRECTORS

Name	Amounts paid in 2017	Amounts paid in 2018
Ali Bin Jassim Al Thani		
Directors' fees	38,000	35,000
Other remuneration	0	0
Angels Arderiu Ibars		
Directors' fees	38,000	35,000
Other remuneration	0	0
Anne-Marie de Chalambert(1)		
Directors' fees	70,000	35,467
Other remuneration	0	0
Sylvia Desazars de Montgailhard(2)		
Directors' fees	28,536	38,000
Other remuneration	0	0
Chantal du Rivau		
Directors' fees	38,000	38,000
Other remuneration	0	0
Jean-Jacques Duchamp		
Directors' fees	63,000	64,000
Other remuneration	0	0
Carlos Fernandez-Lerga Garralda		
Directors' fees	75,000	72,000
Other remuneration	0	0
Carmina Ganyet i Cirera(3)		
Directors' fees	59,000	56,000
Other remuneration	0	0
Carlos Krohmer		
Directors' fees	41,000	35,000
Other remuneration	0	0
Arielle Malard de Rothschild(4)		
Directors' fees	n/a	15,082
Other remuneration	n/a	0
Luis Maluquer Trepat		
Directors' fees	41,000	35,000
Other remuneration	0	0
Adnane Mousannif(5)		
Directors' fees	41,000	38,000
Other remuneration	0	0
Nuria Oferil Coll		
Directors' fees	41,000	38,000
Other remuneration	0	0
Pere Viñolas Serra		
Directors' fees	59,000	55,000
Other remuneration	0	0
Anthony Wyand		
Directors' fees	69,000	63,000
Other remuneration	0	0
Total	**701,536**	**652,549**

(1) Independent director and Committees member until 18 July 2018.
(2) Independent director since 28 April 2017.
(3) Member of the Audit Committee since 3 March 2017.
(4) Independent director since 26 July 2018, member of the Remuneration and Selection Committee since 9 November 2018, member of the Audit Committee since 19 December 2018.
(5) Director until 19 December 2018.

5.3. Remuneration and benefits in kind paid to executive management other than corporate officers

The following table presents the total gross remuneration for 2018 paid by SFL to the persons who were members of the Management Committee at 31 December 2018 other than the Chief Executive Officer and the Managing Director:

	2018
2018 salaries	€868,393
2018 bonuses(1)	€341,486
Benefits in kind	€23,055
Special bonuses	€0
Non-discretionary/discretionary profit-sharing(2)	€240,076
Matching payments to the Group Pension Savings Plan (PERCO)	€22,500

(1) With the same 50/50 split between quantitative and qualitative targets as for the bonuses awarded to the Chief Executive Officer and the Managing Director by the Board of Directors on 9 February 2018.

(2) Rights under the non-discretionary and discretionary profit-sharing plans for 2017, paid in 2018 (profit shares in respect of 2018 had not been determined as of the date this document was published).

Amendment to employment contracts concerning payment of a termination benefit in the event of a change of control of the Company

At its meeting on 9 February 2004, the Board of Directors decided to insert a change of control clause in the employment contracts of the members of the Company's Management Committee.

The clause, which was updated in 2006, provides for the payment of compensation in addition to the termination benefit due by law or under the collective bargaining agreement in the case of (i) dismissal or (ii) resignation as a result of a significant change in responsibilities following a material direct or indirect change in the reference shareholders of the Company or of its controlling shareholder. The amount of said compensation was set at double the individual's 2006 remuneration in euros.

On 4 April 2008, the Board approved a proposal to set the gross benefit payable under the change of control clause at double the executive's total remuneration for the calendar year preceding the significant direct or indirect change in the reference shareholders of the Company or of its controlling shareholder.

At the same meeting, the Board also approved a proposal to reduce the time limit for claiming compensation from two years to 18 months, as from the next direct or indirect change in the ownership structure.

Note: Nicolas Reynaud resigned from his salaried position as Chief Financial Officer on 27 January 2015, following his appointment as Chief Executive Officer, and has not been covered by this change of control clause since that date.

As of 31 December 2018, two employees (including the Chief Operating Officer, who also holds the position of Managing Director) were covered by the change of control clause.

5.4. Information about stock options and performance shares

TABLE 8 – SUMMARY OF STOCK OPTIONS GRANTED IN PREVIOUS YEARS

None.

TABLE 9 – SUMMARY OF PERFORMANCE SHARES GRANTED IN PREVIOUS YEARS

	Plan 1			Plan 2	Plan 3	Plan 4		Plan 5
Date of General Meeting			9 May 2011		22 April 2015	13 November 2015		20 April 2018
Board date	16 February 2012	5 March 2013	4 March 2014	16 February 2012	17 June 2015	26 April 2016	3 March 2017	20 April 2018
Total performance share rights granted of which, rights granted to:	49,481	52,716	50,972	20,516	40,992	48,054	50,064	67,184
The Chairman, Chief Executive Officer and Managing Director	34,331	37,462	37,462	20,516	24,750	31,500	31,500	42,000
• Juan José Brugera Clavero	3,750	3,750	3,750	–	4,500	4,500	4,500	6,000
• Bertrand Julien-Laferrière	21,843	21,843	21,843	20,516	–	–	–	–
• Nicolas Reynaud	4,369	4,369	4,369	–	11,250	15,000	15,000	20,000
• Dimitri Boulte	4,369	7,500	7,500	–	9,000	12,000	12,000	16,000
Vesting date	19 March 2015	7 April 2016	4 March 2017	4 April 2014	17 June 2018	26 April 2019	3 March 2020	20 April 2021
End of lock-up period	18 March 2017	6 April 2018	3 March 2019	3 April 2016	16 June 2020	25 April 2021	2 March 2022	19 April 2023
Performance criteria		(1)		(2)	(3)	(4)		(5)
Number of vested performance shares as of 31 December 2018	44,375	36,424	26,725	20,516	37,896	–	–	–
Cumulative number of performance share rights cancelled or forfeited	–	–	–	–	–	1,752	3,402	2,912
Number of performance share rights outstanding at 31 December 2018	–	–	–	–	–	46,302	46,662	64,272

(1) The performance criteria are described in “Plan 1 Rules” below.
(2) The performance criteria are described in “Plan 2 Rules” below.
(3) The performance criteria are described in “Plan 3 Rules” below.
(4) The performance criteria are described in “Plan 4 Rules” below.
(5) The performance criteria are described in “Plan 5 Rules” below.

Plan 1 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest ten business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the grant date.

Continuing presence within the Group

The performance shares will vest only if, at the end of a three-year period, the grantee is still an employee or officer of the Company or another Group entity, as applicable.

However, this rule is waived if the grantee’s separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL’s ranking in a group of six listed property companies including SFL (the “Reference Companies”). The ranking will be established based on growth in each of the Reference Companies’ consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

Lock-up period

In accordance with the French Commercial Code, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

In addition, for performance shares granted to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives, after the end of this statutory two-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Plan 2 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest ten business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the second financial year following the grant date.

Continuing presence within the Group

The shares will vest provided that the grantee serves as a corporate officer of the Company for an uninterrupted period of two years from the grant date, unless the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

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.

After the end of this statutory two-year lock-up period, 40% of the shares must be kept for as long as the grantee remains a corporate officer of the Company, reduced to 20% once the value of the shares exceeds a certain percentage of his or her annual remuneration.

Plan 3 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 15 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the grant date (i.e. for the 17 June 2015 grant, the year ended 31 December 2017).

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

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. In addition, for performance shares granted to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives, after the end of this statutory two-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Plan 4 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 15 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the grant date (i.e. for the 26 April 2016 grant, the year ended 31 December 2018).

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

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. In addition, for performance shares granted to the Chairman, the Chief Executive Officer, the Managing Director and certain senior executives, after the end of this statutory two-year lock-up period, 40% of the shares must be kept for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of their annual remuneration.

Plan 5 Rules

Vesting date

Provided that the grantee has not left the Group and the performance targets are met (see below), the performance shares will vest 15 business days after the publication by the last of the Reference Companies (see definition below) to do so, of a press release announcing its results for the third financial year following the grant date (i.e. for the 20 April 2018 grant, the year ended 31 December 2020).

Continuing presence within the Group

The performance shares will vest only if, at the end of the three-year vesting period, the grantee is still an employee or corporate officer of the Company or another Group entity, as applicable. However, this rule is waived if the grantee's separation is due to certain events that are beyond his or her control.

Performance targets

The number of performance shares that vest will depend on SFL's ranking in a group of six listed property companies including SFL (the "Reference Companies"). The ranking will be established based on growth in each of the Reference Companies' consolidated net asset value (NAV) per share over the vesting period, as calculated by adding back dividends paid in each year of said period.

Lock-up period

Under Plan 5, the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date. In addition, after the end of this statutory two-year lock-up period, the Chairman, the Chief Executive Officer and the Managing Director will be required to keep 40% of the shares for the remainder of their period of service with the Company or another Group entity, as applicable, reduced to 20% once the value of the shares exceeds a certain percentage of his annual remuneration.

6. Agreements between a corporate officer or material shareholder of SFL and one of its subsidiaries

In accordance with the disclosure requirements of Article L.225-37-4 2° of the French Commercial Code, shareholders are informed that no agreements have been entered into, directly or through a third party, between a corporate officer or a shareholder that holds over 10% of SFL's voting rights and a subsidiary of SFL, other than agreements entered into in the normal course of business on arm's length terms.

7. Summary of financial authorisations

In accordance with the disclosure requirements of Article L.225-37-4 3° of the French Commercial Code, the table below provides a summary of the currently valid authorisations to increase the capital given to the Board of Directors by shareholders pursuant to Articles L.225-129-1 and L.225-129-2 of the Code. The table also provides information on the use of these authorisations during 2018.

Date of AGM	Authorisation or delegation of competence	Used/unused in 2018	Duration of authorisation
28 April 2017	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.	Unused	26 months
28 April 2017	Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer.	Unused	26 months
28 April 2017	Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2 II of the French Monetary and Financial Code.	Unused	26 months
28 April 2017	Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares without pre-emptive subscription rights for existing shareholders, through a public placement or a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting.	Unused	26 months
28 April 2017	Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights for existing shareholders, to increase the number of shares issued.	Unused	26 months
28 April 2017	Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company.	Unused	26 months
28 April 2017	Delegation of powers to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company, other than in connection with a public exchange offer made by the Company.	Unused	26 months
28 April 2017	Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums.	Unused	26 months
28 April 2017	Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights for existing shareholders.	Unused	26 months
28 April 2017	Authorisation given to the Board of Directors to grant stock options to employees and corporate officers.	Unused	38 months
20 April 2018(1)	Authorisation given to the Board of Directors to grant performance shares to eligible employees and corporate officers of SFL and/or its subsidiaries, without pre-emptive subscription rights for existing shareholders.	Used	38 months

(1) Authorisation used by the Board of Directors on 20 April 2018 at the meeting held immediately after the Annual General Meeting (see Appendix 13.2, pages 64 to 66).

8. General Meetings (extracts from Articles 24, 25 and 29 of the Articles of Association) (Article L.225-37-4 9° of the French Commercial Code)

Article 24

General Meetings are called in accordance with the applicable laws and regulations.

They are held at the Company's registered office or at the venue selected by the Board of Directors, as specified in the notice of meeting.

The Board of Directors sends or makes available to shareholders the documents required to enable them to make informed decisions about which way to vote on proposed resolutions and an informed judgement about the management of the Company's business.

Following communication of the above information, shareholders may submit written questions to the Board of Directors to be answered during the General Meeting. If several questions are submitted on the same subject, the Board may issue a single statement in reply to all the questions.

A written question is considered as having been answered when the reply is posted on the FAQs page of the Company's website.

Article 25

I – General Meetings may be attended by all holders of fully paid up shares that have been recorded in the shareholder's account prior to the date of the Meeting as follows:

- Holders of bearer shares and holders of registered shares recorded in an account not kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded in an account kept by an accredited intermediary as of the record date.
- Holders of registered shares recorded in an account kept by the Company may vote at General Meetings in person, by proxy or by post provided that their shares are recorded as of the record date.

These formalities must be completed no later than midnight Paris time on the second business day preceding the date of the Meeting (the record date).

Shareholders, proxy holders and accredited intermediaries are entitled to attend General Meetings on presentation of proof of their identity and eligibility to attend. The Board of Directors may provide shareholders with personal admission cards for General Meetings and, if it thinks fit, require that they be shown prior to admittance.

II – Any shareholder may, on the basis stipulated in the applicable laws and regulations, vote by post, or give proxy to his or her spouse or civil partner or to another shareholder or to any other person or legal entity in order to be represented at General Meetings, by writing to the Company to request a postal voting/proxy form. Written requests for a postal voting/proxy form must be received at the Company's registered office at least six days before the Meeting.

If a shareholder gives proxy to a person other than his or her spouse or civil partner, the proxyholder must notify the shareholder of any situation that could give rise to a conflict of interest so that the shareholder can assess the risk of the proxyholder not voting in accordance with the his or her wishes.

If any such situation arises, the proxyholder must notify the shareholder without delay and the shareholder will then be required to formally confirm the proxy. Failing that, the proxy will not be valid and the proxyholder must notify the Company.

Any individuals or entities other than a shareholder's spouse or civil partner that actively solicit proxies (for example, a minority shareholder or an organisation set up to defend shareholders' interests) by offering, directly or indirectly and by any method, to represent one or several shareholders, must disclose their voting policy. Said individuals or entities may also disclose their voting intentions with regard to the resolutions tabled at the Meeting. In this case, they will be required to vote in accordance with their stated intentions for all undirected proxies given to them.

If a proxyholder fails to comply with any of the above obligations, the represented shareholder may ask the commercial court in the jurisdiction where the Company has its registered office to ban the proxyholder from acting in this capacity at all General Meetings of the Company for a period of up to three years. The Company may file a similar application but only if the proxyholder has breached the rules governing the active solicitation of proxies.

The postal voting/proxy form must be received by the Company at least three days before the Meeting date.

The procedure for returning these forms is specified by the Board of Directors in the notice of meeting.

Shareholders domiciled outside France may give proxy to an intermediary registered in accordance with the applicable legal conditions, provided the Company is informed of the proxy in writing at least five days before the date of the Meeting.

The Board of Directors may reduce or waive the time periods specified in this section II.

Article 29

Resolutions are adopted by the number of votes prescribed in the corresponding legislation in force on the date of the Meeting.

Shareholders are entitled to one vote per share.

The Company's shares (including any bonus shares that may be allocated in connection with a share issue paid up by capitalising reserves, profits or share premiums) do not qualify for double voting rights, as allowed under Article L.225-123-3 (final paragraph) of the French Commercial Code.

9. Items that could affect a public offer for the Company's shares

The following information about items that could affect a public offer for the Company's shares is presented in accordance with Article L.225-37-5 of the French Commercial Code:

1. Details about the Company's ownership structure are provided in section 8.1.2 of the Management Report.

2. The Articles of Association do not impose any restrictions on the exercise of voting rights, except that in the event of failure to disclose any increase in a shareholder's interest to above one of the disclosure thresholds specified in the Articles of Association, the undisclosed shares may be stripped of voting rights at the request of one or several shareholders together holding at least 2% of the capital (Article 10 IV of the Articles of Association).

   The Articles of Association do not impose any restrictions on the transfer of shares.

3. The direct or indirect interests of which the Company is aware are presented in section 8.1.2 of the Management Report.

4. The Company has not issued any securities comprising any special rights of control.

5. The voting rights attached to SFL shares held by employees through the Actions SFL corporate mutual fund are exercised by a representative appointed by the fund's Supervisory Board to vote on its behalf (see section 8.5 of the Management Report).

6. To the best of the Company's knowledge, there are no shareholders' pacts or in force between the shareholders (see section 10 of the Management Report) that could have the effect of restricting share transfers or the exercise of voting rights.

7. The rules governing the election and removal from office of members of the Board of Directors result from French law and the Company's Articles of Association.

   Amendments to the Articles of Association are made in accordance with the applicable laws and regulations.

8. The delegations of authority to the Board of Directors are described in section 8.6.3 of the Management Report on the share buyback programme and in the financial authorisations table (page 102).

9. Contracts entered into by the Company that would be affected or terminated by a change of control are described in section 9 of the Management Report (page 29).

10. Details of the compensation that would be due to certain employees under the change of control clauses included in their employment contracts are provided in section 5.3 (page 98).

    There are no agreements providing for the payment of compensation for loss of office to directors in any circumstances.

    Details of the termination benefit that could be due to the Managing Director for loss of office are provided in section 5.1.3 (page 90).

The Board of Directors

Appendix 13.5 – Agenda for the Annual General Meeting of 5 April 2019

Ordinary Meeting

- Approval of the Company financial statements for the year ended 31 December 2018.
- Approval of the consolidated financial statements for the year ended 31 December 2018.
- Appropriation of profit for the year ended 31 December 2018 and dividend.
- Ratification of the appointment as a director of Arielle Malard de Rothschild.
- Re-election as a director of Arielle Malard de Rothschild.
- Ratification of the appointment as a director of Alexandra Rocca.
- Re-election as a director of Chantal du Rivau.
- Re-election as a director of Juan José Brugera Clavero.
- Re-election as a director of Jean-Jacques Duchamp.
- Re-election as a director of Carlos Fernandez-Lerga Garralda.
- Re-election as a director of Pere Viñolas Serra.
- Re-election as a director of Anthony Wyand.
- Re-appointment as Statutory Auditor of Pricewaterhouse-Coopers Audit.
- Decision not to renew appointment of Anik Chaumartin as substitute Auditor and not to replace her.
- Approval of the components of the remuneration paid or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors, for the year ended 31 December 2018.
- Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer, for the year ended 31 December 2018.
- Approval of the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the remuneration and benefits of the Chairman of the Board of Directors, Juan José Brugera Clavero.
- Approval of the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the remuneration and benefits of the Chief Executive Officer, Nicolas Reynaud.
- Authorisation to be given to the Board of Directors to carry out a share buyback programme governed by Article L.225-209 of the French Commercial Code, duration of the authorisation, purposes, terms and conditions, and ceiling.
- Powers to carry out formalities.

Extraordinary Meeting

- Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, duration of the authorisation, maximum aggregate par value of resulting share issue(s), option to offer any shares or securities not taken up by existing shareholders for subscription by the public.

- Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer, duration of the authorisation, maximum aggregate par value of resulting share issue(s), issue price.

- Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, duration of the authorisation, maximum aggregate par value of resulting share issue(s), issue price, option to limit the amount of any issue or to freely allocate unsubscribed shares or securities.

- Authorisation given to the Board of Directors, for issues of ordinary shares or securities with rights to shares without pre-emptive subscription rights for existing shareholders, through a public placement or a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting.

- Authorisation given to the Board of Directors, for share issues with or without pre-emptive subscription rights for existing shareholders, to increase the number of shares issued.

- Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company, duration of the authorisation.

- Delegation of powers to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company, other than in connection with a public exchange offer made by the Company, duration of the authorisation, maximum aggregate amount of the capital increase(s), procedure for dealing with rights to fractions of shares.

- Blanket ceiling on financial authorisations.

- Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums, duration of the authorisation, maximum aggregate amount of the capital increase(s), issue price.

- Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights for existing shareholders, duration of the authorisation, purposes, terms and conditions, ceiling.

- Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.225-209 of the French Commercial Code, duration of the authorisation, ceiling.

- Delegation of authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting.

- Powers to carry out formalities.

Proposed resolutions

Ordinary resolutions

FIRST ORDINARY RESOLUTION (Approval of the Company financial statements for the year ended 31 December 2018)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, the Board of Directors' Management Report and the Auditors' report on the Company financial statements, approves the Company financial statements for the year ended 31 December 2018 as presented, showing net profit of €22,245,050.70, together with the transactions reflected in these financial statements or described in these reports.

SECOND ORDINARY RESOLUTION (Approval of the consolidated financial statements for the year ended 31 December 2018)

The Annual General Meeting, having considered the Board of Directors' Management Report included in the Group Management Report, and the Auditors' report on the consolidated financial statements, approves the consolidated financial statements for the year ended 31 December 2018 as presented, showing profit attributable to owners of the parent of €351,636 thousand, as well as the transactions reflected in these financial statements or described in these reports.

THIRD ORDINARY RESOLUTION (Appropriation of profit for the year ended 31 December 2018 and dividend)

The Annual General Meeting, having considered the Board of Directors' report and the Auditors' report on the Company financial statements:

1. Notes that net profit for the year ended 31 December 2018, after tax and provision charges, amounts to €22,245,050.70.

2. Notes that profit available for distribution, including retained earnings brought forward from the prior year, is as follows:

Net profit for the year ended 31 December 2018	€22,245,050.70
Retained earnings brought forward from the prior year	€166,350,667.25
Profit available for distribution	€188,595,717.95

3. Approves the recommendation of the Board of Directors and resolves to pay to shareholders a dividend per share of €2.65, representing a total payout of €123,301,781.10 based on the 46,528,974 shares outstanding at 31 December 2018.

4. Approves the recommendation of the Board of Directors and resolves to deduct the total dividend from profit for the year for €22,245,050.70 and from retained earnings for €101,056,730.40, after which retained earnings will amount to €65,293,936.85.

Dividends not payable on shares held in treasury stock on the dividend payment date and any dividends waived by shareholders will be credited to retained earnings. The total dividend will be adjusted accordingly.

SFL shares will trade ex-dividend from 23 April 2019.

The dividend will be paid in cash as from 25 April 2019.

The Annual General Meeting gives the Board of Directors full powers, which may be delegated to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director, to implement this resolution, and to place on record the actual amount of dividends distributed and the amount credited to retained earnings.

The Annual General Meeting notes that the dividend of €2.65 per share (based on 46,528,974 shares) will be paid out of profits that are exempt from corporate income tax under the tax rules applicable to French real estate investment trusts ("SIICs"). Consequently, for personal income tax purposes, the total dividend will qualify as securities revenue as defined in Article 158-3.1 of the French Tax Code. In accordance with Article 158-3.3 *bis* of the Code, shareholders will not be entitled to the 40% tax relief provided for in Article 158-3.2 of the Code, even if they have made a general election to pay tax at the graduated rate.

The dividend will be subject to the flat tax (*prélèvement forfaitaire non libératoire*) provided for in Article 117 *quater* of the French Tax Code and the withholding tax (*retenue à la source*) provided for in Article 119 *bis* of the Code, as follows:

In the case of individual shareholders who are resident in France for tax purposes and whose SFL shares are not held in a "PEA" personal equity plan, the dividend will be subject to a flat tax of 12.8% in accordance with Article 117 *quater* of the French Tax Code.

Dividends will be subject to withholding tax at the rate of 12.8% if they are paid to individual shareholders who are not resident in France for tax purposes, 15% if they are paid to a French OPCVM, OPCI, SICAF or other equivalent French or foreign investment fund, 75% if they are paid outside France in an "uncooperative" country or jurisdiction within the meaning of Article 238 A of the French Tax Code, or 30% in other cases (Articles 119 *bis* and 187 of the Code).

However, a lower withholding tax rate may apply to residents of countries that have signed a double tax treaty with France. Shareholders resident in such countries will be required to provide a certificate of residence to benefit from the treaty rate.

If a corporate shareholder owns, directly or indirectly, at least 10% of the dividend rights and if the dividends received by that shareholder are exempt from French corporate income tax or an equivalent foreign tax, SFL will have to pay a 20% tax on the dividends paid to the shareholder concerned out of profits generated by "SIIC" activities, provided that the shareholder fulfils the above-mentioned conditions. To avoid the 20% tax, the non-resident shareholder would have to provide a certificate stating that the dividends paid out of the "SIIC" profits would be subject to an amount of foreign tax that is no more than two-thirds less than the corporate income tax that would have been paid in France if the profits had not qualified for the "SIIC" regime (Article 208 C II *ter* of the French Tax Code).

In accordance with Article 243 *bis* of the French Tax Code, information on dividends paid in the last three years is provided below:

Year	Dividend per share	Portion of the dividend qualifying for the 40% tax allowance	Portion of the dividend not qualifying for the 40% tax allowance for shareholders resident in France	Portion of the dividend classified as a return of capital	Total dividend(1)
2015	€1.05(2)	–	–	€1.05	€48,855,422.70
	€1.05	–	–	€1.05	€48,855,422.70
2016	€1.05(3)	–	–	€1.05	€48,855,422.70
	€1.05	–	–	€1.05	€48,855,422.70
2017	€2.30	–	€2.30	–	€107,016,640.20

(1) Not including dividends not paid on shares held in treasury.
(2) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 13 November 2015.
(3) Special dividend of €1.05 per share paid out of the share premium account by decision of the General Meeting of 15 November 2016.

FOURTH ORDINARY RESOLUTION (Ratification of the appointment as a director of Arielle Malard de Rothschild)

The Annual General Meeting ratifies the appointment – subject to shareholder ratification – by the Board of Directors, at its meeting on 26 July 2018, of Arielle Malard de Rothschild as a director to replace Anne-Marie de Chalambert, who had resigned. Said appointment was made for the remainder of Anne-Marie de Chalambert's term expiring at the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2018.

FIFTH ORDINARY RESOLUTION (Re-election as a director of Arielle Malard de Rothschild)

The Annual General Meeting, having noted that Arielle Malard de Rothschild's term of office as a director expires at the close of the Meeting, resolves to re-elect her for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

SIXTH ORDINARY RESOLUTION (Ratification of the appointment as a director of Alexandra Rocca)

The Annual General Meeting ratifies the appointment – subject to shareholder ratification – by the Board of Directors, at its meeting on 15 February 2019, of Alexandra Rocca as a director to replace Sylvia Desazars de Montgailhard, who had resigned. Said appointment was made for the remainder of Sylvia Desazars de Montgailhard's term expiring at the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2019.

SEVENTH ORDINARY RESOLUTION (Re-election as a director of Chantal du Rivau)

The Annual General Meeting, having noted that Chantal du Rivau's term of office as a director expires at the close of the Meeting, resolves to re-elect her for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

EIGHTH ORDINARY RESOLUTION (Re-election as a director of Juan José Brugera Clavero)

The Annual General Meeting, having noted that Juan José Brugera Clavero's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a one-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2019.

NINTH ORDINARY RESOLUTION (Re-election as a director of Jean-Jacques Duchamp)

The Annual General Meeting, having noted that Jean-Jacques Duchamp's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

TENTH ORDINARY RESOLUTION (Re-election as a director of Carlos Fernandez-Lerga Garralda)

The Annual General Meeting, having noted that Carlos Fernandez-Lerga Garralda's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

ELEVENTH ORDINARY RESOLUTION (Re-election as a director of Pere Viñolas Serra)

The Annual General Meeting, having noted that Pere Viñolas Serra's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a three-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2021.

TWELFTH ORDINARY RESOLUTION (Re-election as a director of Anthony Wyand)

The Annual General Meeting, having noted that Anthony Wyand's term of office as a director expires at the close of the Meeting, resolves to re-elect him for a one-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2019.

THIRTEENTH ORDINARY RESOLUTION (Re-appointment as Statutory Auditor of PricewaterhouseCoopers Audit)

The Annual General Meeting, having noted that the appointment of PricewaterhouseCoopers Audit as Statutory Auditor expires at the close of the Meeting, resolves to re-appoint PricewaterhouseCoopers Audit as Statutory Auditor for a period of six years expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending 31 December 2024.

FOURTEENTH ORDINARY RESOLUTION (Decision not to renew appointment of Anik Chaumartin as substitute Auditor and not to replace her)

The Annual General Meeting, having noted that the appointment of Anik Chaumartin as substitute Auditor expires at the close of the Meeting and that the Statutory Auditor, PricewaterhouseCoopers Audit, is not an individual or sole proprietorship, places on record the expiry of Anik Chaumartin's appointment and resolves, in accordance with Article 23 of the Articles of Association – "Statutory Auditors", neither to renew her appointment nor appoint a new substitute Auditor.

FIFTEENTH ORDINARY RESOLUTION (Approval of the components of the remuneration paid or awarded to Juan José Brugera Clavero, Chairman of the Board of Directors)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.225-100 of the French Commercial Code, to approve the fixed, variable and special components of the total remuneration and benefits paid or awarded to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors, as described in section 5.1.1 of the Board of Directors' Corporate Governance Report for the year ended 31 December 2018.

SIXTEENTH ORDINARY RESOLUTION (Approval of the components of the remuneration paid or awarded to Nicolas Reynaud, Chief Executive Officer)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, resolves, in accordance with Article L.225-100 of the French Commercial Code, to approve the fixed, variable and special components of the total remuneration and benefits paid or awarded to Nicolas Reynaud in his capacity as Chief Executive Officer, as described in section 5.1.2 of the Board of Directors' Corporate Governance Report for the year ended 31 December 2018.

SEVENTEENTH ORDINARY RESOLUTION (Approval of the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the remuneration and benefits of the Chairman of the Board of Directors, Juan José Brugera Clavero)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, approves the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the remuneration and benefits awarded to Juan José Brugera Clavero in his capacity as Chairman of the Board of Directors, as described in section 4.1 of the Corporate Governance Report.

EIGHTEENTH ORDINARY RESOLUTION (Approval of the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the remuneration and benefits of the Chief Executive Officer, Nicolas Reynaud)

The Annual General Meeting, having considered the Board of Directors' Corporate Governance Report, approves the principles and criteria applied to determine, allocate and award the fixed, variable and special components of the remuneration and benefits awarded to Nicolas Reynaud in his capacity as Chief Executive Officer, as described in section 4.2 of the Corporate Governance Report.

NINETEENTH ORDINARY RESOLUTION (Authorisation to be given to the Board of Directors to carry out a share buyback programme governed by Article L.225-209 of the French Commercial Code, duration of the authorisation, purposes, terms and conditions, and ceiling)

The Annual General Meeting, having considered the Board of Directors' report, resolves:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the fourteenth ordinary resolution of the General Meeting of 20 April 2018 to buy back the Company's shares.

2. To authorise the Board of Directors, in accordance with Articles L.225-209 *et seq.* of the French Commercial Code, to buy back, hold or transfer, in one or several transactions, shares representing up to 10% of the Company's issued capital at the date of this Meeting, as adjusted if applicable to take into account any capital increases or reductions that may take place after this Meeting, subject to the following restrictions:
   - The shares may not be bought back at a price in excess of €90 per share, excluding transaction costs, as adjusted if appropriate for the effects of any corporate actions, including any bonus share issue paid up by capitalising reserves and/or any share split or reverse share split.

- Consequently, based on the number of shares outstanding at 31 December 2018, the total amount invested in the share buyback programme will represent a maximum of €418,760,730 corresponding to 4,652,897 ordinary shares. This maximum will be adjusted, if necessary, to reflect the number of shares outstanding at the date of this Meeting and the effects of any future corporate actions.

3. That this authorisation is given for a period of 18 months from the date of this Meeting.

4. That the share buybacks carried out under this authorisation may not under any circumstances result in the Company holding, directly or indirectly, more than 10% of the shares making up its issued capital.

The authorisation may be used at any time, including while a public offer is in progress provided that said offer is for cash only, on the basis and subject to the restrictions – particularly in terms of volumes and price – specified in the laws and regulations applicable on the transaction date. The transactions may be carried out by any appropriate method, including on the market, through a multilateral trading facility, through a "systematic internaliser" (as defined by the Markets in Financial Instruments Directive) or over-the-counter, through block purchases or sales or otherwise, or through the use of options or warrants, or through the remittance of shares following the issue of securities carrying rights to shares or the loan or temporary transfer of securities on the basis approved by the securities regulator. The timing of such transactions will be decided by the Board of Directors or by any person duly authorised by the Board. The entire programme may be carried out through a block purchase.

The shares may be bought back for any purpose allowed by law. The objectives of the share buyback programme shall notably be as follows:

- To purchase shares for allocation to all or selected employees and officers of the Company, and/or related companies and economic interest groupings in accordance with the terms and conditions provided for in the applicable laws, including in connection with (i) the non-discretionary profit-sharing scheme, (ii) any employee share purchase or share grant plan governed by Articles L.3332-1 *et seq*. of the French Labour Code or other legal provisions or (iii) any stock option plan or share grant plan for all or selected employees and officers of the Company in accordance with Articles L.225-177 *et seq.* and L.225-197-1 *et seq.* of the French Commercial Code.

- To buy and sell shares under a liquidity contract with an investment firm in compliance with the practices allowed under French securities regulations.

- To purchase shares for delivery on exercise of rights attached to securities exercisable, redeemable, convertible or exchangeable, upon presentation of a warrant or otherwise, immediately or at a future date on exercise of the rights attached to securities with deferred rights to shares, for shares of the Company and to cover the Company's obligations towards the holders of these securities.

- To cancel all or some of the shares bought back, in accordance with Article L.225-209 of the French Commercial Code, subject to adoption of the eleventh extraordinary resolution of this Meeting authorising the Board of Directors to reduce the capital.

- And, more generally, to carry out any transaction leading to an obligation to deliver shares that is permitted or that may be authorized by the applicable regulations.

When shares are bought back under a liquidity contract in accordance with the General Regulations of the AMF, the number of shares used to calculate the limit of 10% of the issued capital will correspond to the number of shares purchased minus the number of shares sold during the authorised period.

The Board of Directors shall report to shareholders at each Annual General Meeting on the transactions carried out under this resolution, in accordance with Article L.225-209 of the French Commercial Code.

5. That the Board of Directors shall have full powers, including the power of delegation, to implement this authorisation, clarify its terms if necessary, and decide on the method of implementation in accordance with the law and this resolution. Specifically, the Board of Directors is authorised to place buy and sell orders, enter into any and all agreements for the keeping of registers of purchases and sales or other registers, draw up any and all information and other documents, allocate or re-allocate the shares bought back to any of the above purposes, carry out any and all filing and other formalities with the AMF and all other organisations, and generally do whatever is necessary.

TWENTIETH ORDINARY RESOLUTION (Powers to carry out formalities)

The Annual General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Extraordinary resolutions

FIRST EXTRAORDINARY RESOLUTION (Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, duration of the authorisation, maximum aggregate par value of resulting share issue(s), option to offer any shares or securities not taken up by existing shareholders for subscription by the public)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-132 to L.225-134 and L.228-91 *et seq*.:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the first extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide the issue of ordinary shares and/or securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate or deferred rights to preference shares.

3. That the aggregate par value of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

4. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

   The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

   The life of debt securities with rights to ordinary shares of the Company shall not exceed 50 years, although this delegation of confidence may also be used to issue undated debt securities. It may be used to issue fixed and/or floating rate or zero coupon debt securities. The securities may be redeemable in advance at par or at a premium, or repayable in instalments. In addition, they may be bought back on the market or through a cash or exchange offer made by the Company.

5. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

6. That shareholders shall have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this resolution, pro rata to their existing shareholdings. The terms and conditions under which this pre-emptive right may be exercised will be set by the Board of Directors in accordance with the applicable laws. The Board of Directors may also give shareholders a pre-emptive right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned.

   If the entire issue is not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, the Board of Directors may take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up; and/or (ii) freely allocate all or some of the unsubscribed shares or securities, and/or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or abroad and/or on the international market.

7. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
   - Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.
   - Take any and all necessary measures to protect the rights of holders of rights or securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
   - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SECOND EXTRAORDINARY RESOLUTION (Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a public offer, duration of the authorisation, maximum aggregate par value of resulting share issue(s), issue price)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.225-136, and Articles L.228-91 *et seq.* of said Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the second extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to issue ordinary shares and/or securities with immediate or deferred rights to ordinary shares, on one or several occasions, for the amounts and in the periods of its choice, in France or abroad by means of a public offer without pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate and/or deferred rights to preference shares.

   Any public offers decided pursuant to this resolution may be linked – in a single issue or several simultaneous issues – to offers governed by Article L.411-2 II of the French Monetary and Financial Code.

3. That the aggregate par value of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

4. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

   The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

5. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

6. That shareholders shall not have a pre-emptive right to subscribe for the shares or securities with rights to shares issued under this resolution. However, the Board of Directors may grant shareholders a non-transferable priority subscription right, exercisable pro rata to their existing shareholdings. In addition, shareholders may be given a non-transferable priority right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed, this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned. The terms and conditions under which these priority rights may be exercised for all or part of the issue will be set by the Board of Directors in accordance with the applicable laws. Ordinary shares and securities with rights to ordinary shares not taken up by shareholders exercising their priority right will be placed on the market in France and/or abroad and/or on the international market.

7. That if the issue is not taken up in full by investors and shareholders, the Board of Directors may take either or both of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice:
   - Limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up, and/or
   - Freely allocate all or some of the unsubscribed shares and/or securities with rights to shares.

8. That the amount received or to be received by the Company for each of the shares and securities with rights to shares issued or to be issued under this delegation – in the case of equity warrant issues, after taking into account the warrants' issue price – shall be at least equal to the minimum price provided for in the laws and/or regulations in force on the issue date, whether or not the securities to be issued immediately or on a deferred basis are fungible with existing equity instruments.

9. That:

a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

b) The issue price of securities with deferred rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

10. That the Board of Directors shall have full powers to use this delegation of competence and to:
    - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.

- Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.

- Take any and all necessary measures to protect the rights of holders of rights or securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.

- At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.

- If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

THIRD EXTRAORDINARY RESOLUTION
(Delegation of competence to the Board of Directors to issue ordinary shares or securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, duration of the authorisation, maximum aggregate par value of resulting share issue(s), issue price, option to limit the amount of any issue or to freely allocate unsubscribed shares or securities)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report and noted that the Company's issued capital is fully paid up, resolves, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-129-2, L.225-135 and L.225-136, and Articles L.228-91 *et seq.* of said Code, as well as Article L.411-2 II of the French Monetary and Financial Code,

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the third extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to issue, on one or several occasions, for the amounts and in the periods of its choice, in France or abroad by means of an offer governed by Article L.411-2 II of the French Monetary and Financial Code (i.e. an offer to (i) a third party portfolio manager or (ii) qualified investors or a restricted group of investors that are investing their own funds), ordinary shares and securities with immediate or deferred rights to ordinary shares, without pre-emptive subscription rights for existing shareholders, to be paid up in cash or by capitalising debt. The Board of Directors shall not use this delegation of competence to issue preference shares or securities with immediate and/or deferred rights to preference shares.

3. That the aggregate par value of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

4. That the number of shares issued in any 12-month period shall not represent more than 20% of the Company's issued capital, said period being calculated from the date of each successive issue. The Board of Directors would check that the 20% limit had not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

5. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

   The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

6. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

7. That shareholders shall not have a pre-emptive right to subscribe for the ordinary shares or securities with rights to ordinary shares issued under this delegation.

8. That if the issue is not taken up in full by investors and shareholders, the Board of Directors may take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice:
   - Limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue is taken up, and/or
   - Offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France or abroad, and/or
   - Freely allocate all or some of the unsubscribed securities.

9. That:

a) The issue price of ordinary shares shall be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

b) The issue price of any securities with deferred rights to ordinary shares shall be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a) above, adjusted as necessary to take into account differences in cum dividend dates.

10. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Determine the characteristics, amounts and terms of the issues and the securities, the category of securities to be issued and, based on the information given in its report, set the subscription price of the shares or other securities, which may or may not include a premium, the method of payment of the subscription price, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.
   - Enter into any and all underwriting or other agreements necessary to the issues' success and issue the securities defined above, on one or several occasions on dates and for amounts to be decided by the Board, in France and/or abroad and/or on the international market, and if appropriate, decide to abandon any such issue; place the issues on record; amend the Articles of Association to reflect any resulting increase in capital; carry out any and all filing and other formalities; and obtain any and all authorisations that may be necessary to implement and complete the issues.
   - Take any and all necessary measures to protect the rights of holders of rights or securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
   - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

FOURTH EXTRAORDINARY RESOLUTION (Authorisation to be given to the Board of Directors, for issues of ordinary shares or securities with rights to shares, without pre-emptive subscription rights for existing shareholders, through a public offer or a private placement governed by Article L.411-2 II of the French Monetary and Financial Code, to set the issue price by the method decided by the shareholders in General Meeting)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-136 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the fourth extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant the Board of Directors a 26-month authorisation, from the date of this Meeting, for each issue decided pursuant to the second and third extraordinary resolutions, provided that the number of shares issued in any given 12-month period does not exceed 10% of the Company's issued capital at the date of this Meeting, to set the issue price of the ordinary shares and/or securities with rights to ordinary shares issued through a public offer or a private placement governed by Article L.411-2 II of the French Monetary and Financial Code on the basis stipulated below:

a) Ordinary shares shall be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.

b) The issue price of securities with rights to ordinary shares shall be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the amount defined in a), adjusted as necessary to take into account differences in cum dividend dates.

The aggregate par value of shares issued directly or indirectly under this authorisation will be deducted from the amount by which the capital may be increased under the second and third extraordinary resolutions.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

FIFTH EXTRAORDINARY RESOLUTION (Authorisation given to the Board of Directors, in the case of a share issue with or without pre-emptive subscription rights, to increase the number of shares offered)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-135-1 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the fifth extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant the Board of Directors a 26-month authorisation, from the date of this Meeting, to decide, for any issue carried out pursuant to the first, second and third extraordinary resolutions that is over-subscribed, to increase the number of securities to be issued in order to grant a greenshoe option in line with market practice, in accordance with the above Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SIXTH EXTRAORDINARY RESOLUTION (Delegation of competence to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in connection with a public exchange offer made by the Company, duration of the authorisation)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-2, L.225-148 and L.228-92 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the sixth extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to use the second extraordinary resolution to issue – without pre-emptive subscription rights for existing shareholders – ordinary shares or securities with immediate and/or deferred rights to ordinary shares in payment for shares tendered to a public exchange offer or an alternative cash or exchange offer for the shares of another company traded on one of the regulated markets referred to in the above Article L.225-148 made by SFL in France or in another country under local rules.

The aggregate par value of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares, shall not exceed €100,000,000 and shall be deducted from the ceiling set in the second and third extraordinary resolutions. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms.

3. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, third and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

4. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

5. That the Board of Directors shall have full powers to carry out public exchange offers under this delegation and to:
   - Set the exchange ratio and any cash payment to be made if application of the exchange ratio results in rights to fractions of shares.
   - Set the terms and conditions of issue and the characteristics of securities issued under this delegation.
   - Place on record the number of securities tendered to the offer.
   - Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares or, if applicable, the securities with immediate and/or deferred rights to ordinary shares.
   - Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations.
   - Record in a "share premium" account in equity, to which all shareholders shall have rights, the difference between the issue price of the new shares and their par value.
   - Charge against said premium all costs and fees incurred in connection with the offer.
   - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.
   - Generally, take any and all appropriate measures and enter into any and all agreements to complete the authorised transaction, place on record the resulting capital increase(s) and amend the Articles of Association to reflect the new capital.

   The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

SEVENTH EXTRAORDINARY RESOLUTION (Delegation of powers to the Board of Directors to issue ordinary shares or securities with rights to ordinary shares in payment for contributed shares or securities with rights to shares of another company, other than in connection with a public exchange offer made by the Company, duration of the authorisation, maximum aggregate amount of the capital increase(s), procedure for dealing with rights to fractions of shares)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-147 of the French Commercial Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the seventh extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant to the Board of Directors a 26-month delegation of powers, from the date of this Meeting, to use the second extraordinary resolution to issue ordinary shares or securities with immediate and/or deferred rights to ordinary shares, based on the report of the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147, in payment for shares or securities with rights to shares of another company that are contributed to the Company under a transaction not governed by Article L.225-148 of the French Commercial Code. To this end, the Extraordinary General Meeting resolves to waive, in favour of the contributing parties, the pre-emptive right of existing shareholders to subscribe for these ordinary shares or securities with rights to ordinary shares.

The aggregate par value of ordinary shares issued under this delegation, either directly or at a future date on exercise of the rights attached to securities with rights to ordinary shares, shall not exceed 10% of the Company's issued capital at the issue date. Said 10% limit shall apply to an adjusted number of shares, if necessary, to take into account any corporate actions carried out after this Meeting.

3. That the securities with rights to ordinary shares issued under this delegation may consist of debt securities or securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities. They may be dated or undated, and subordinated or unsubordinated, and may be denominated in euros, in foreign currency or in any monetary unit determined by reference to a basket of currencies.

The aggregate nominal value of said debt securities shall not exceed €2,000,000,000, or the equivalent in foreign currency or monetary units at the date the issue is decided. This ceiling does not include any redemption premiums that may be payable on the securities. This non-cumulative ceiling shall apply to all debt securities that may be issued under this resolution and the first, second, third and sixth extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on issues of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

4. That this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

5. That the Board of Directors shall have full powers to use this delegation of powers and to:
   - Approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser(s) of capital contributions referred to in the first and second paragraphs of the above-mentioned Article L.225-147.
   - Determine the date and terms of issue, including the price and cum dividend date, of the new ordinary shares and/or, if applicable, the securities with immediate and/or deferred rights to ordinary shares.
   - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   - Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
   - If applicable, have the ordinary shares, the securities with rights to ordinary shares, or the ordinary shares issued upon exercise of the rights attached to the securities with rights to ordinary shares, admitted to trading on a regulated market.
   - Place on record the capital increases carried out under this delegation, amend the Articles of Association to reflect the new capital, carry out any and all filing and other formalities and obtain any and all authorisations that are necessary to carry out the contributions.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

EIGHTH EXTRAORDINARY RESOLUTION (Blanket ceiling on financial authorisations)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, and having adopted the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions, resolves to set at €100,000,000 the maximum aggregate par value of ordinary shares that may be issued directly and/or at a future date on exercise of the rights attached to securities with rights to ordinary shares issued under the authorisations given in the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions. This ceiling shall not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares.

NINTH EXTRAORDINARY RESOLUTION (Delegation of competence to the Board of Directors to increase the Company's capital by capitalising reserves, profits or share premiums, duration of the authorisation, maximum aggregate amount of the capital increase(s), issue price)

The Extraordinary General Meeting, after considering the Board of Directors' report, resolves, in accordance with Articles L.225-129-2 and L.225-130 of the French Commercial Code and under the quorum and majority voting rules applicable to Ordinary General Meetings:

1. To cancel, with immediate effect, the unused portion of the delegation of competence given in the ninth extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant to the Board of Directors a 26-month delegation of competence from the date of this Meeting, to increase the capital on one or several occasions, in periods and under the terms and conditions of its choice, to be paid up by capitalising reserves, profits, share premiums or any other capitalisable amounts and issuing bonus shares or raising the par value of existing shares or both.

3. To give full powers to the Board of Directors to decide that rights to fractions of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the applicable regulations.

4. That the aggregate amount by which the capital may be increased under this delegation shall not exceed €25,000,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is independent and separate from the ceilings on issues of ordinary shares – directly or at a future date on exercise of rights attached to securities with rights to ordinary shares – carried out under the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions.

5. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Set the amounts to be capitalised and decide on the accounts from which the funds will be transferred.
   - Set the number of ordinary shares to be issued and/or the amount by which the par value of existing shares will be increased.
   - Decide the future or retroactive date from which the new shares will carry rights or the increase in par value will be effective.
   - Decide that any rights to fractions of shares shall be non-transferable and that the corresponding shares will be sold, with the proceeds from the sale allocated among the holders of rights to fractions of shares within the period specified in the applicable regulations.
   - Take any and all necessary measures to protect the rights of holders of rights or of securities with rights to ordinary shares in accordance with the applicable laws and regulations and with any contractual terms providing for adjustments to be made in any other cases.
   - At the Board's sole discretion, charge the share issuance costs against one or several reserve accounts and deduct from said account(s) the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.
   - If applicable, have the new shares admitted to trading on a regulated market.
   - Place on record the capital increases carried out under this delegation, amend the Articles of Association to reflect the new capital, carry out any and all filing and other formalities and obtain any and all authorisations that are necessary to complete the capital increase.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

TENTH EXTRAORDINARY RESOLUTION (Delegation of competence to the Board of Directors to issue shares to employees who are members of an Employee Share Ownership Plan, without pre-emptive subscription rights for existing shareholders, duration of the authorisation, purposes, terms and conditions, ceiling)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Articles L.225-129-2, L.225-129-6, L.225-138 I and II and L.225-138-1 of the French Commercial Code and Articles L.3332-18 *et seq.* of the French Labour Code:

1. To cancel, with immediate effect, the unused portion of the authorisation given in the tenth extraordinary resolution of the General Meeting of 28 April 2017.

2. To grant to the Board of Directors a 26-month delegation of competence, from the date of this Meeting, to decide to increase the capital on one or several occasions, in the periods and under the terms and conditions of its choice, by issuing ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of an SFL Group Employee Share Ownership Plan or by making grants of shares or securities with rights to shares paid up by capitalising reserves, profits or share premiums, within the limits set in the applicable laws and regulations.

3. That the aggregate par value of ordinary shares that may be issued under this delegation, either directly or at a future date on exercise of rights attached to securities with deferred rights to ordinary shares, shall not exceed €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is independent and separate from the ceilings on issues of ordinary shares, either directly or on exercise of rights attached to securities with rights to ordinary shares, carried out under the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions.

   If an issue is not taken up in full, the amount of the issue shall be reduced based on the number of shares or securities effectively subscribed.

4. To waive, in favour of Employee Share Ownership Plan members, the pre-emptive right of existing shareholders to subscribe for the ordinary shares or securities with rights to ordinary shares. In addition, this delegation automatically entails the waiver by shareholders of their pre-emptive right to subscribe for any ordinary shares issued on exercise of the rights attached to securities with rights to ordinary shares issued under this delegation.

5. That:
   - The discount offered under the Employee Share Ownership Plan shall be set at 20% of the average of the opening prices quoted for SFL shares on NYSE Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period is decided, or 30% of said average if the Plan's lock-up period as set in accordance with Article L.3332-25 of the French Labour Code is at least 10 years. The Board of Directors may reduce this discount, at its discretion, in the case of an offer to members of a Group Employee Share Ownership Plan of shares or securities on the international market and/or outside France, to comply with any local laws. It may also replace all or part of the discount with a grant of ordinary shares or securities with rights to ordinary shares on the basis stipulated below.

   - The Board of Directors may make grants of ordinary shares or securities with rights to ordinary shares, provided that the aggregate amount of the benefit resulting from these grants and the discount referred to above, if any, does not exceed the benefit that the Employee Share Ownership Plan members would have received if the shares or securities had been offered to them at a discount of 20%, or 30% if the Plan's lock-up period as set in accordance with Article L.3332-26 of the French Labour Code is at least 10 years. In addition, the total benefit including the financial value of the ordinary shares attributed without consideration, determined based on the subscription price, must not exceed the legal limits.

6. That the Board of Directors shall have full powers to use this delegation of competence and to:
   - Decide the characteristics, amount and terms of each issue of ordinary shares or securities with rights to ordinary shares and each grant of ordinary shares or other securities.

   - Decide that the ordinary shares or securities will be offered for subscription either directly or through a corporate mutual fund.

   - Draw up, in accordance with the law, the list of companies or other entities whose employees and retired employees will be eligible to subscribe for the ordinary shares or securities with rights to ordinary shares and, if applicable, to receive grants of ordinary shares or securities with rights to ordinary shares.

   - Decide the nature and terms of the capital increase and the terms and conditions of the issue or share grant.

   - Decide the conditions of eligibility in terms of period of service of employees and retired employees to subscribe for the ordinary shares or securities with rights to ordinary shares or to receive grants of ordinary shares or securities with rights to ordinary shares.

   - Set the terms and conditions of the issues of ordinary shares or securities with rights to ordinary shares to be carried out under this delegation, including the cum dividend date and the method of payment of the subscription price.

   - Decide the opening and closing dates of the subscription periods.

   - Place on record the capital increases based on the aggregate par value of the ordinary shares subscribed.

   - Decide, if applicable, the type of securities to be granted, as well as the terms and conditions of grant.

   - Determine, if applicable, the amounts to be capitalised within the limit specified above, the accounts from which said amounts are to be transferred, and the cum dividend date of the ordinary shares issued without consideration.

   - At the Board's sole discretion, charge the share issuance costs against the related premium and deduct from the premium the amount necessary to increase the legal reserve to one-tenth of the new capital after each issue.

   - Take all necessary measures to implement the capital increases, carry out any and all related formalities, including listing formalities for the new shares, amend the Articles of Association to reflect the new capital and generally do whatever else is necessary.

The Board may delegate its powers under this resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

ELEVENTH EXTRAORDINARY RESOLUTION
(Authorisation to be given to the Board of Directors to cancel shares held in treasury stock pursuant to Article L.225-209 of the French Monetary and Financial Code, duration of the authorisation, ceiling)

The Extraordinary General Meeting, having considered the Board of Directors' report and the Auditors' special report, resolves, in accordance with Article L.225-209 of the French Commercial Code:

1. To authorise the Board of Directors to cancel, on one or several occasions, all or some of the shares held by the Company or that may be held in the future following utilisation of the various buyback authorisations given by the General Meeting to the Board of Directors, provided that the number of shares cancelled in any 24-month period does not exceed 10% of the total shares outstanding on the transaction date. Said 10% limit shall apply to an adjusted number of shares, if necessary, to take into account any corporate actions carried out after this Meeting.

2. To authorise the Board of Directors to charge the difference between the cost of the cancelled shares and their par value to any available premium or reserve account.

3. To give full powers to the Board of Directors – directly or through a representative appointed in accordance with the applicable laws and regulations – to carry out the capital reduction(s) resulting from the share cancellations authorised by this resolution, determine and place on record the final amount of the capital reduction(s), record the corresponding accounting entries, amend the Articles of Association to reflect the new capital and generally carry out any and all necessary formalities.

4. To set at 18 months from the date of this Meeting the period of validity of this authorisation, which cancels and replaces all previous authorisations with the same purpose.

TWELFTH EXTRAORDINARY RESOLUTION (Delegation of authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting)

The Extraordinary General Meeting, having considered the Board of Directors' report, gives full powers to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting.

THIRTEENTH EXTRAORDINARY RESOLUTION (Powers to carry out formalities)

The Extraordinary General Meeting gives full powers to the bearer of an extract or copy of the minutes of the Meeting to carry out all necessary formalities.

Appendix 13.6 Report of the Board of Directors to the Extraordinary General Meeting

We invite shareholders to adopt the resolutions presented below, based on the quorum and majority voting rules applicable to extraordinary resolutions, with the exception of the ninth resolution for which the quorum corresponds to one-fifth of the shares making up the issued capital and a simple majority vote by the shareholders present and represented is required.

Shareholders are asked to grant delegations of competence to the Board to issue shares and securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Company to swiftly take advantage of market opportunities. In light of the wide variety of financial instruments currently available and the rapidly changing market conditions, it is important for the Board to have the greatest possible flexibility in choosing the best type of issue.

The delegations of competence will give the Board ample scope to act in all circumstances in the best interests of the Company, by deciding to issue ordinary shares and securities with rights to ordinary shares in France or abroad.

They are being sought for a period of 26 months from the date of this Meeting, and would replace the unused portion of earlier delegations to the same effect.

Specifically, shareholders are invited to grant delegations of competence or powers to the Board of Directors to issue ordinary shares and/or securities with rights to ordinary shares, with or without pre-emptive subscription rights for existing shareholders, in order to enable the Board to take up opportunities – especially by cancelling shareholders' pre-emptive rights – to carry out public offers and private placements in France, abroad and/or on international markets, based on the interests of the Company and shareholders. Depending on the type of securities, the issues could be denominated in euros or in foreign currency or in any monetary unit determined by reference to a basket of currencies.

Shareholders will also be asked to adopt extraordinary resolutions giving the Board of Directors a certain number of delegations of competence and/or authorisations, for example to issue shares to employees who are members of an Employee Share Ownership Plan and to cancel treasury shares acquired under a buyback programme.

Lastly, shareholders will be asked to authorise the Board of Directors to make the necessary changes to the Articles of Association to comply with the second paragraph of Article L.225-36 of the French Commercial Code, subject to certain conditions.

I. Delegations of competence to issue ordinary shares and securities with immediate or deferred rights to ordinary shares

In the first, second and third extraordinary resolutions, shareholders are asked to grant the Board of Directors a 26-month delegation of competence to issue, with or without pre-emptive subscription rights for existing shareholders, ordinary shares or securities with immediate or deferred rights to ordinary shares, in accordance with Articles L.225-129 *et seq.* of the French Commercial Code, particularly Articles L.225-132, L.225-135, L.225-136 and L.228-92. The non-cumulative aggregate par value of ordinary shares issued under these three delegations of competence and those sought in the first to seventh extraordinary resolutions would not exceed €100 million.

The Board considers it appropriate to exclude from these delegations of competence:
– Preference share issues.
– Issues of securities with immediate or deferred rights to preference shares.

Shareholders are therefore asked to specifically rule out preference share issues and issues of securities with immediate or deferred rights to preference shares.

I.1. Issues with pre-emptive subscription rights (first extraordinary resolution)

a) The first extraordinary resolution concerns a delegation of competence to issue ordinary shares and securities with immediate or deferred rights to ordinary shares, with pre-emptive subscription rights for existing shareholders.

A decision to delegate competence to the Board to issue securities with deferred rights to ordinary shares, whatever the form of said rights, would automatically entail or could entail, depending on the case, the waiver by shareholders of their pre-emptive right to subscribe for the ordinary shares issued on exercise of the rights attached to the securities (although shareholders would have a pre-emptive right to subscribe for the securities).

The aggregate amount by which the capital could be increased during the 26-month period covered by the delegation of competence would be capped at €100 million.

This ceiling does not take into account the effect on the amount of the capital increase of any adjustments that may be made to protect the rights of holders of securities with rights to ordinary shares.

The aggregate nominal value of dated or undated, subordinated or unsubordinated debt securities that may be issued under the first extraordinary resolution – including securities associated with the issue of debt securities or securities allowing the issue of intermediate debt securities – would not exceed €2 billion or the equivalent (on the date the issue is decided) in foreign currency or in a monetary unit determined by reference to a basket of currencies. This ceiling does not include any redemption premiums that may be payable on the securities.

This ceiling applies to the cumulative amount of all debt securities that may be issued under the first, second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on the issue of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

The life of debt securities with rights to ordinary shares would not exceed 50 years, although the delegation of competence could also be used to issue undated subordinated or unsubordinated notes. It could be used to issue fixed and/or floating rate or zero coupon debt securities. The securities could be redeemable in advance at par or at a premium, or repayable in instalments. In addition, they could be bought back on the market or through a cash or exchange offer made by the Company.

In accordance with Article L.228-97 of the French Commercial Code, the issue agreement could stipulate that the securities would be redeemable only after all of the Company's other creditors had been paid, including or excluding holders of participating securities; it could also stipulate a creditor ranking.

b) The issue price of securities with rights to ordinary shares will be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, is at least equal to the shares' par value.

c) The terms and conditions under which shareholders' pre-emptive subscription rights may be exercised pro rata to their existing shareholding will be set by the Board of Directors in accordance with the applicable laws. The Board of Directors may also give shareholders a pre-emptive right to subscribe for ordinary shares or securities with rights to ordinary shares not taken up by other shareholders; in this case, if the issue is oversubscribed this secondary pre-emptive right will also be exercisable pro rata to the existing shareholdings of the shareholders concerned. If the entire issue was not taken up by shareholders exercising their pre-emptive subscription rights as provided for above, the Board of Directors could take any or all of the following courses of action provided for in Article L.225-134 of the French Commercial Code, in the order of its choice: (i) limit the amount of the issue to the subscriptions received, provided that at least three-quarters of the planned issue was taken up; or (ii) freely allocate all or some of the unsubscribed shares or securities, or (iii) offer all or some of the unsubscribed shares or securities for subscription by the public, through a public placement in France and/or, if appropriate, abroad and/or on the international market.

d) On these bases, the Board of Directors will have the broadest powers to carry out the above issues, on one or several occasions and on all markets, in the best interests of the Company and its shareholders, to place the issue(s) on record and to amend the Articles of Association to reflect the new capital, to charge the issue costs against the premiums on the issued shares and deduct from said premiums the amount necessary to raise the legal reserve to one-tenth of the new capital, and to carry out any and all filing and other formalities and obtain any and all authorisations that may be necessary to carry out and complete the issues.

The Board of Directors would decide the characteristics, terms and conditions of each issue, set the subscription price of the shares or other securities, which may or may not include a premium, the future or retroactive date from which the shares or securities have coupon rights and, in the case of securities with rights to ordinary shares, the terms on which the rights are exercisable for ordinary shares.

In accordance with the law, the Board of Directors could delegate the powers granted by shareholders under the first extraordinary resolution to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to limits to be set by the Board.

I.2. Issues without pre-emptive subscription rights through a public offer (second extraordinary resolution)

a) In the interests of the Company and shareholders, the Board of Directors could, in certain circumstances, want to take up opportunities offered by the financial markets, by carrying out issues without existing shareholders having pre-emptive subscription rights. This is why, in the second extraordinary resolution, the Board is seeking a 26-month delegation of competence to issue ordinary shares or securities with rights to ordinary shares without pre-emptive subscription rights for existing shareholders. The resolution includes a cap on the amount of the issues, which would be subject to the same conditions as for issues under the first extraordinary resolution and the specific conditions specified in points b) and c) below.

The ordinary shares or securities with immediate and/or deferred rights to ordinary shares would be issued through public offers.

Any such public offers could be linked – in a single issue or several simultaneous issues – to private placements governed by Article L.411-2 II of the French Monetary and Financial Code that may be decided pursuant to the third extraordinary resolution of this Meeting.

The aggregate nominal value of debt securities issued under the second extraordinary resolution would be capped at €2 billion; this amount would not be cumulative with the amount of issues authorised in the first extraordinary resolution and, as for that resolution, would not include any redemption premiums that may be decided.

This ceiling applies to the cumulative amount of all debt securities that may be issued under the first, second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on the issue of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

b) If shareholders grant this delegation of competence to the Board of Directors and, accordingly, waive their pre-emptive subscription rights, the issue price of any ordinary shares issued under the resolution will be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates.

This amount would also be the reference price for determining the issue price of securities with deferred rights to ordinary shares: said issue price would be set in such a way that the amount received immediately by the Company plus the amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, would be at least equal to the above amount, adjusted as necessary to take into account differences in cum dividend dates.

On this basis, the Board of Directors would set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders taking into account all relevant parameters. These would include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities.

In accordance with Article R.225-119 of the French Commercial Code (adopted in application of Article L.225-136 of said Code), the new ordinary shares would not be issued at a discount of more than 5% to the weighted average share price for the three trading sessions immediately preceding the pricing date.

However, if shareholders adopt the fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period the Board could choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.4 below).

c) On these bases, the Board will have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue as explained above in the section dealing with the first extraordinary resolution.

The securities would be placed in accordance with market practices on the issue date. The Board is nevertheless asking shareholders for an authorisation to grant shareholders a non-transferable priority subscription right – if circumstances permit – possibly including a priority right to subscribe for securities not taken up by other shareholders. The conditions of exercise of this right would be determined by the Board in accordance with the law.

If the issue is not taken up in full, including by shareholders, the Board of Directors could (i) limit the amount of the issue to the subscriptions received, provided that the legal conditions were fulfilled, or (ii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

d) Shareholders should note that under this delegation, the Board will be authorised to take all other necessary measures in connection with or as a result of the issues. These measures, which are described above in the section dealing with the first extraordinary resolution, include amending the Articles of Association to reflect the new capital.

e) In accordance with the law, the Board of Directors could delegate authority for deciding issues to be carried out under the second extraordinary resolution, on the same basis as for the first extraordinary resolution (see above).

I.3. Issues without pre-emptive subscription rights through a private placement (third extraordinary resolution)

a) In the interests of the Company and shareholders, the Board of Directors could, in certain circumstances, want to take up opportunities offered by the financial markets, by carrying out issues without existing shareholders having pre-emptive subscription rights.

This is why, in the third extraordinary resolution, the Board is seeking a 26-month delegation of competence to issue ordinary shares or securities with rights to ordinary shares without pre-emptive subscription rights for existing shareholders. The resolution includes a cap on the amount of the issues, which would be subject to the same conditions as for issues under the first extraordinary resolution and the specific conditions specified in points b) and c) below.

The ordinary shares or securities with immediate and/or deferred rights to ordinary shares would be issued through a private placement governed by Article L.411-2 II of the French Monetary and Financial Code and would be limited to the equivalent of 20% of the issued capital per 12-month period, as calculated from the date of each successive issue. The Board of Directors would check that the 20% limit had not been reached during the 12 months preceding a planned issue, taking into account changes in the Company's issued capital affecting the denominator.

The private placements could be linked – in a single issue or several simultaneous issues – to public offers that may be decided pursuant to the second extraordinary resolution of this Meeting.

The aggregate nominal value of debt securities issued under the third extraordinary resolution would be capped at €2 billion; this amount would not be cumulative with the amount authorised in the first extraordinary resolution and, as for that resolution, would not include any redemption premiums that may be decided.

This ceiling applies to the cumulative amount of all debt securities that may be issued under the first, second, third, sixth and seventh extraordinary resolutions tabled at this Meeting, but is independent and separate from the ceiling on the issue of debt securities that may be decided or authorised by the Board of Directors in application of Article L.228-40 of the French Commercial Code.

b) The issue price of ordinary shares would be at least equal to the minimum amount provided for in the laws and regulations in force at the time of issue, adjusted as necessary to take into account differences in cum dividend dates. This amount would also be the reference price for determining the issue price of securities with deferred rights to ordinary shares: said issue price would be set in such a way that the amount received immediately by the Company plus the amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, would be at least equal to the above amount, adjusted as necessary to take into account differences in cum dividend dates.

On these bases, the Board of Directors would set the issue price of the securities and, in the case of debt securities, the interest terms, in the best interests of the Company and shareholders, taking into account all relevant parameters. These would include the type of securities issued, stock market trends and the market for SFL shares, any priority subscription right granted to existing shareholders, market interest rates (in the case of an issue of debt securities), the number of ordinary shares represented by the rights and, generally, all the characteristics of the issued securities.

In accordance with Article R.225-119 of the French Commercial Code (adopted in application of Article L.225-136 of said Code), the new ordinary shares would not be issued at a discount of more than 5% to the weighted average share price for the three trading sessions immediately preceding the pricing date.

However, if shareholders adopt the fourth extraordinary resolution of this Meeting, for ordinary share issues representing no more than 10% of the capital carried out in any 12-month period, the Board could choose not to apply the legal pricing rules and to set the issue price by the method stipulated in the fourth extraordinary resolution (see paragraph I.4 below).

c) On these bases, the Board will have the broadest powers to issue ordinary shares and securities with rights to ordinary shares, on one or several occasions without pre-emptive subscription rights, and to set the terms and conditions of each issue as explained above in the section dealing with the first extraordinary resolution.

The securities would be placed in accordance with market practices on the issue date.

If the issue was not taken up in full by investors and shareholders, the Board of Directors could (i) limit the amount of the issue to the subscriptions received, provided that the legal conditions were fulfilled, (ii) place the shares or securities with rights to shares on the market in France and/or abroad and/or on the international market, or (iii) freely allocate all or some of the unsubscribed shares or securities with rights to shares.

d) Shareholders should note that under this delegation, the Board will be authorised to take all other necessary measures in connection with or as a result of the issues. These measures, which are described above in the section dealing with the first extraordinary resolution, include amending the Articles of Association to reflect the new capital.

e) In accordance with the law, the Board of Directors may delegate authority for deciding issues to be carried out under the third extraordinary resolution, on the same basis as for the first extraordinary resolution (see above).

I.4 Issues without pre-emptive subscription rights: determination of the issue price by the Board of Directors by the method decided by shareholders (fourth extraordinary resolution)

In accordance with the alternative rules introduced in Article L.225-136 of the French Commercial Code in the fourth extraordinary resolution, the Board of Directors is seeking a 26-month authorisation (i) to decide not to apply the pricing rules specified by law, as described above, and (ii) to set the price of ordinary shares and securities with rights to ordinary shares issued through a public offer or a private placement governed by Article 411-2 II of the French Financial and Monetary Code by the method described below. This exception would apply only to ordinary share issues representing no more than 10% of the capital (at the date of this Meeting) carried out in any 12-month period under the delegations of competence given in the second and third extraordinary resolutions. For these issues, the following pricing rules would apply:

i) Ordinary shares would be issued at a discount of no more than 10% to the weighted average SFL share price for the three trading sessions immediately preceding the pricing date.

ii) The issue price of securities with rights to ordinary shares would be set in such a way that the amount received immediately by the Company plus any amount to be received at a future date for each ordinary share issued as a result of the issue of these securities, was at least equal to the amount defined in i), adjusted as necessary to take into account differences in cum dividend dates.

This authorisation would give the Board of Directors greater flexibility in pricing public offers of ordinary shares issued without pre-emptive subscription rights and thereby increase the chances of the issue being a success.

The aggregate par value of shares issued directly or indirectly under this authorisation would be deducted from the amount by which the capital could be increased under the second and third extraordinary resolutions.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

If and when the authorisation given in the fourth extraordinary resolution was used, the Board and the Auditors would report to shareholders on the final terms of the issue and on the estimated impact on the situation of existing shareholders.

I.5. Share issue with or without pre-emptive subscription rights: authorisation to be given to the Board to increase the number of shares offered (fifth extraordinary resolution)

In accordance with the rules introduced in Article L.225-135-1 of the French Commercial Code, in the fifth extraordinary resolution, the Board of Directors is seeking an authorisation to decide, for all issues carried out pursuant to the first, second and third extraordinary resolutions, to increase the number of securities offered for subscription, on the basis allowed under Article L.225-135-1, provided that the ceiling specified in the related resolution is not exceeded.

This authorisation would enable the Board to offer additional shares on the same terms as for the original offer, by permitting the exercise of a greenshoe option in the event that an offer is over-subscribed.

In accordance with Article R.225-118 of the French Commercial Code, the Board of Directors would be authorised to decide, within 30 days of the close of the original subscription period for each issue decided pursuant to the first, second and third extraordinary resolutions, to increase the number of shares offered by up to 15% compared to the original offer, provided that this does not result in the ceiling set in the relevant resolution being exceeded.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

I.6. Issue of securities in connection with a public exchange offer made by the Company (sixth extraordinary resolution)

A delegation of competence is being sought in accordance with Article L.225-148 of the French Commercial Code to allow the Board to use the authorisation given in the second extraordinary resolution to issue ordinary shares and securities with immediate or deferred rights to ordinary shares in payment for shares tendered to a public exchange offer by SFL for the shares of another company traded on a regulated market in a country that is a member of the European Economic Area or of the OECD.

The procedure allows shares to be exchanged without SFL being required to implement the procedures applicable to contributions of shares or other securities.

The rules described in the above section on the second extraordinary resolution would also apply to issues carried out under the sixth extraordinary resolution, except those concerning the issue price of ordinary shares or securities with rights to ordinary shares, and the priority subscription right for existing shareholders.

Existing shareholders would not have a pre-emptive right to subscribe for the new shares and shareholders are therefore asked to waive this right, on the same basis as under the second extraordinary resolution.

For each issue, the Board would be authorised to decide the type and characteristics of the ordinary shares or securities with rights to ordinary shares, the exchange ratio and the amount of any cash payment that would be due if application of the exchange ratio resulted in rights to fractions of shares. The amount of the capital increase would depend on the number of shares of the target tendered to the offer, taking into account the number of ordinary shares and securities with rights to ordinary shares issued and the exchange ratio.

The aggregate par value of ordinary shares issued under this delegation, which is the subject of a special resolution, would be capped at €100 million. This amount represents the ceiling for cumulative share issues carried out under the first, second, third, fourth, fifth, sixth and seventh extraordinary resolutions tabled at this Meeting. It does not take into account the effect on the amount of the capital increase of any adjustments that may be made to protect the rights of holders of securities with rights to ordinary shares.

The authorisation is being sought for a period of 26 months from the date of this Meeting.

I.7. Issues in payment for contributed shares or securities with rights to shares or securities (seventh extraordinary resolution)

In accordance with the rules introduced in Article L.225-147 of the French Commercial Code, the seventh extraordinary resolution concerns a 26-month delegation of powers sought by the Board of Directors to issue ordinary shares and securities with rights to ordinary shares in payment for shares or securities with rights to shares contributed to the Company under transactions that are not governed by Article L.225-148 of the French Commercial Code. Issues under this authorisation would be capped at 10% of the Company's capital at the issue date.

Shareholders would be required to waive their pre-emptive right to subscribe for the new shares or securities, in favour of the holders of the contributed shares or securities.

In addition, if the delegation of powers was used to issue securities with rights to ordinary shares, shareholders would automatically be considered as having waived their pre-emptive right to subscribe for the shares issued on exercise of said rights.

Issues under this delegation would be deducted from the amount available under the blanket ceiling set in the eighth extraordinary resolution for issues carried out under the first to seventh extraordinary resolutions.

If the seventh extraordinary resolution was used, the Board would be authorised to approve the value attributed to the contributed shares or securities and to the benefits granted, based on the valuation report issued by the expert appraiser of capital contributions, in the same way as if the transaction had been presented to shareholders for approval (paragraphs 1 and 2 of Article L.225-147 of the French Commercial Code), and to place on record the capital increases carried out under the resolution. The Board could also reduce the value attributed to the contributed shares or securities or the remuneration of any benefits granted, with the agreement of the parties making the contribution.

The Board would be given the necessary powers to act on this authorisation and to amend the Articles of Association to reflect the resulting capital increase(s).

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

I.8. Blanket ceiling on the authorisations (eighth extraordinary resolution)

Shareholders are asked to set at €100 million the aggregate par value of ordinary shares issued directly and/or at a future date on exercise of the rights attached to securities with deferred rights to ordinary shares under the authorisations sought in the first seven extraordinary resolutions. The par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares pursuant to the law or the applicable contractual terms would be in addition to this ceiling.

I.9. Capital increase to be paid up by capitalising reserves, profits or share premiums (ninth extraordinary resolution)

The ninth extraordinary resolution concerns a delegation of competence sought by the Board of Directors to increase the capital by capitalising reserves, profits or share premiums. This type of transaction, which does not necessarily lead to the issue of new ordinary shares, is governed by specific legal provisions contained in Article L.225-130 of the French Commercial Code. The delegation of competence is subject to the quorum and majority voting rules applicable to Ordinary General Meetings, which is why a separate resolution is being tabled.

The 26-month delegation of competence would enable the Board of Directors to decide to increase the capital by up to €25 million through one or several transactions. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is independent and separate from the ceilings set in the first to seventh extraordinary resolutions.

The Board of Directors would have full powers to decide the items and amounts to be capitalised, as well as the method to be used to carry out the capital increase (increase in the par value of shares and/or bonus share issue), to place on record each capital increase and amend the Articles of Association to reflect the new capital, and to make any and all adjustments required by law.

If the capital increase was carried out by issuing bonus shares, with future or retroactive dividend rights, the Board could decide that rights to fractions of shares would be non-transferable, and that the corresponding shares would be sold, in which case the sale proceeds would be allocated among holders of rights to fractions of shares within the period stipulated in the applicable regulations.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II. Specific authorisations

II.1. Share issues to employees who are members of an SFL Employee Share Ownership plan (tenth extraordinary resolution)

Article L.225-129-6 of the French Commercial Code stipulates that when companies seek shareholder authorisation to issue shares for cash, they must also table a resolution authorising an employee share issue governed by Articles L.3332-18 *et seq.* of the French Labour Code.

The Board of Directors is therefore seeking a delegation of competence to issue ordinary shares or securities with rights to ordinary shares to employees and retired employees who are members of a Employee Share Ownership Plan set up by the SFL Group, or to make grants of ordinary shares or securities with rights to ordinary shares, to be paid up by capitalising reserves, profits, share premiums or other items. These issues would be governed by the employee share ownership provisions of the French Commercial Code (Articles L.225-129-6, L.225-138 I and II and L.225-138-1) and the French Labour Code (Articles L.3332-18 *et seq.*).

This delegation of competence is being sought for a period of 26 months. The aggregate par value of ordinary shares that could be issued under the authorisation, either directly or at a future date on exercise of rights attached to securities with deferred rights to ordinary shares would be capped at €500,000. This ceiling does not include the par value of any ordinary shares to be issued to protect the rights of holders of securities with rights to ordinary shares. In addition, it is cumulative with the ceilings on issues of ordinary shares either directly or on exercise of rights attached to securities with deferred rights to ordinary shares carried out under the first to seventh extraordinary resolutions.

The shares would be offered at a discount of 20% or, if the lock-up period provided for in the plan in accordance with Article L.3332-25 of the French Labour Code was 10 years or more, 30% of the average of the opening prices quoted for SFL shares on Euronext Paris over the 20 trading days immediately preceding the date on which the opening date of the subscription period was decided. However, shareholders could decide to authorise the Board to reduce the discount in the case of an offer to members of a Group Employee Share Ownership Plan of shares or securities on the international market and/or outside France, to comply with any local laws.

The Board would also be authorised to replace all or part of the discount with a free grant of ordinary shares or securities with rights to ordinary shares. The terms of any such grant of ordinary shares or securities with rights to ordinary shares would have to comply with Article L.3332-26 of the French Labour Code.

If shareholders adopt this resolution, they would be required to waive their pre-emptive subscription rights to the ordinary shares or securities with rights to ordinary shares in favour of the employees and retired employees who are members of the Employee Share Ownership Plan. They would also be considered as having automatically waived their pre-emptive right to subscribe for shares issued to these employees and retired employees on exercise of the rights attached to securities with rights to ordinary shares.

The Board would be authorised to delegate its powers to the Chief Executive Officer or – with the Chief Executive Officer's agreement – to the Managing Director(s), subject to the limits to be set by the Board.

II.2. Authorisation to cancel SFL shares acquired under a buyback programme (eleventh extraordinary resolution)

In relation to the nineteenth ordinary resolution of this Meeting (share buyback programme) and in accordance with Article L.225-209 of the French Commercial Code, shareholders are asked to give the Board of Directors an 18-month authorisation to cancel all or some of the SFL shares bought back under the share buyback programme authorised in the nineteenth ordinary resolution or any other share buyback programme and therefore reduce the share capital.

According to the applicable legislation, the Company could only cancel shares representing up to 10% of its issued capital in any 24-month period.

Cancellation of authorisations and delegations of competence given at the Extraordinary Meetings of 28 April 2017 and 20 April 2018.

If the extraordinary resolutions tabled at this Meeting are adopted by shareholders, the unused portions of the authorisations and delegations of competence given to the Board of Directors by the Extraordinary General Meetings of 28 April 2017 and 20 April 2018 will be automatically cancelled.

III. Delegation of authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to ratification of the changes at the next Extraordinary General Meeting (twelfth extraordinary resolution)

The second paragraph of Article L.225-36 of the French Commercial Code, as amended by Act 2016-1691 dated 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life, states that: "The shareholders in an Extraordinary Meeting may delegate authority to the Board of Directors to make the necessary changes to the Articles of Association to comply with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting."

In application of the above article, shareholders are invited to adopt the twelfth extraordinary resolution giving full powers to the Board of Directors to align the Articles of Association with new legislative and regulatory provisions, subject to the changes being ratified at the next Extraordinary General Meeting.

The Board of Directors

Activities of the Company since 1 January 2019

The report of the Board of Directors to the Annual General Meeting includes information about the activities of the Company since the beginning of the current financial year.

Shareholders are invited to adopt the resolutions tabled at this Meeting, after considering the Auditors' report drawn up in accordance with the applicable laws.

The Board of Directors

Appendix 13.7 – Portfolio at 31 December 2018

Owned properties		Total surface area	Offices (sq.m.)	Retail (sq.m.)	Hotels (sq.m.)	Cinemas/ theatres (sq.m.)	Residential (sq.m.)	Staff restaurants/ fitness centres (sq.m.)	Basements (sq.m.) (file rooms, stock rooms)	Common areas and other (sq.m.)	Parking spaces (number)
1st *arrondissement*	Louvre Saint-Honoré	47,674	28,521	6,662				2,134	1,895	8,462	236
2nd *arrondissement*	#cloud.paris	35,004	27,482					2,569	1,556	3,397	99
2nd *arrondissement*	6 Hanovre	4,607	3,325						1,246	36	
7th *arrondissement*	103 Grenelle	18,865	15,585	258				1,052	266	1,704	100
8th *arrondissement*	Washington Plaza	46,992	39,663	417				2,214	2,522	2,176	662
8th *arrondissement*	106 Haussmann	13,435	11,683	791					961		104
8th *arrondissement*	Galerie des Champs-Élysées	8,662		4,599					1,819	2,244	125
8th *arrondissement*	90 Champs-Élysées	8,861	7,912	932						17	
8th *arrondissement*	92 Champs-Élysées	7,691	4,110	3,088						493	
8th *arrondissement*	Cézanne Saint-Honoré	29,047	24,437	1,849					1,257	1,504	128
8th *arrondissement*	9 Percier	6,689	5,945						191	553	8
9th *arrondissement*	Condorcet	24,883	20,376				1,562	1,301	1,644		50
9th *arrondissement*	Édouard VII	54,120	28,413	7,331	3,125	8,019	4,509	1,077	1,646		523
12th *arrondissement*	Rives de Seine	22,671	20,270					1,760	641		366
15th *arrondissement*	Biome	24,469*	21,762				719	1,569	419		89
16th *arrondissement*	83 Marceau	9,580*	9,277						303		90
17th *arrondissement*	112 Wagram	5,999	4,470	892					75	562	29
17th *arrondissement*	131 Wagram	9,186	7,100					449	1,104	532	124
Neuilly-sur-Seine	176 Charles de Gaulle	7,381	5,749	389					382	861	145
Issy-les-Moulineaux	Le Vaisseau	6,332	6,026						306		124
Total		**392,148**	**292,106**	**27,208**	**3,125**	**8,019**	**6,790**	**14,125**	**18,233**	**22,541**	**3,002**

* Planned surface area

Consolidated Financial Statements for the Year Ended 31 December 2018

The financial statements were approved for publication by the Board of Directors on 15 February 2019.

A. Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes Section E	31 Dec. 2018	31 Dec. 2017
Intangible assets	IV - 1	659	1,209
Property and equipment	IV - 2	20,834	21,606
Investment property	IV - 5	6,458,430	6,119,148
Non-current financial assets	VI - 5	820	2,181
Other non-current assets	V - 4	32	69
Total non-current assets		**6,480,775**	**6,144,213**
Trade and other receivables	V - 3	82,351	88,382
Other current assets	V - 4	371	290
Cash and cash equivalents	VI - 6	25,304	15,710
Total current assets		**108,026**	**104,382**
Total assets		**6,588,801**	**6,248,595**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes Section E	31 Dec. 2018	31 Dec. 2017
Share capital		93,058	93,058
Reserves		3,565,162	2,984,611
Profit for the year		351,636	685,284
Equity attributable to owners of the parent		**4,009,856**	**3,762,953**
Non-controlling interests		502,107	476,019
Total non-controlling interests		**502,107**	**476,019**
Total equity	**VII - 1**	**4,511,963**	**4,238,972**
Long-term borrowings and derivative instruments	VI - 1	1,494,080	1,661,231
Long-term provisions	VIII - 1	1,220	1,161
Deferred tax liabilities	X - 3	205,062	197,976
Accrued taxes	X - 1	13,368	21,390
Other non-current liabilities	V - 6	23,214	22,136
Total non-current liabilities		**1,736,944**	**1,903,894**
Trade and other payables	V - 5	25,320	16,798
Short-term borrowings and other interest-bearing debt	VI - 1	268,958	36,485
Short-term provisions	VIII - 1	1,349	369
Other current liabilities	V - 6	44,267	52,077
Total current liabilities		**339,894**	**105,729**
Total equity and liabilities		**6,588,801**	**6,248,595**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2018	2017
Rental Income		193,509	195,780
Property expenses, net of recoveries		(10,773)	(10,873)
Net property rentals	**V - 1**	**182,736**	**184,907**
Other income	V - 2	4,009	2,160
Depreciation, amortisation and impairment	IV - 3	(1,569)	(1,345)
Provision (expense)/reversals, net	VIII - 2	(1,304)	1,667
Employee benefits expense	IX - 1	(12,788)	(15,409)
Other expenses	V - 7	(8,987)	(7,916)
Profit/(loss) on disposal of other assets	IV - 4	(6)	–
Profit on disposal of investment property	IV - 6	22	80,290
Fair value adjustments on investment property	IV - 7	289,014	635,131
Operating profit		**451,127**	**879,485**
Finance costs and other financial expenses	VI - 2	(36,728)	(42,861)
Financial income	VI - 2	4,276	1,522
Fair value adjustments to financial instruments	VI - 3	(18,987)	43
Discounting adjustments to receivables and payables		(548)	606
Changes in provisions for financial assets, net		–	–
Profit before income tax		**399,140**	**838,795**
Income tax	X - 2-3	(14,494)	(42,523)
Profit for the year		**384,646**	**796,272**
Attributable to owners of the parent		**351,636**	**685,284**
Attributable to non-controlling interests	VII - 5	33,010	110,988
Earnings per share	VII - 4	€7.60	€14.83
Other comprehensive income			
Actuarial gains and losses	VIII - 1	8	53
Other items		(15)	–
Items that will not be reclassified to profit or loss		(7)	53
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		**(7)**	**53**
Comprehensive income		**384,639**	**796,325**
Attributable to owners of the parent		**351,629**	**685,337**
Attributable to non-controlling interests		33,010	110,988

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 year	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 year									
Profit for the year	–	–	–	–	–	–	685,284	685,284	110,988
Other comprehensive income, net of tax	–	–	–	–	–	53	–	53	–
Comprehensive income	**–**	**–**	**–**	**–**	**–**	**53**	**685,284**	**685,337**	**110,988**
Appropriation of profit	–	(29,929)	–	–	–	534,008	(504,079)	–	–
Treasury share transactions	–	–	–	2,565	–	–	–	2,565	–
Gains and losses on sales of treasury shares	–	–	–	(1,127)	–	–	–	(1,127)	–
Share-based payments	–	–	–	–	–	1,546	–	1,546	–
Dividends paid to owners of the parent	–	(48,855)	–	–	–	343	–	(48,512)	(5,517)
Other adjustments	–	–	–	–	–	–	–	–	(83)
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 year									
Profit for the year	–	–	–	–	–	–	351,636	351,636	33,010
Other comprehensive income, net of tax	–	–	–	–	–	(7)	–	(7)	–
Comprehensive income	**–**	**–**	**–**	**–**	**–**	**(7)**	**351,636**	**351,629**	**33,010**
Appropriation of profit	–	–	–	–	–	685,284	(685,284)	–	–
Treasury share transactions	–	–	–	1,446	–	–	–	1,446	–
Gains and losses on sales of treasury shares	–	–	–	(1,741)	–	–	–	(1,741)	–
Share-based payments	–	–	–	–	–	1,952	–	1,952	–
Dividends paid to owners of the parent	–	–	–	–	–	(106,383)	–	(106,383)	(6,922)
Equity at 31 December 2018	**93,058**	**556,116**	**22,621**	**(18,317)**	**–**	**3,004,744**	**351,636**	**4,009,856**	**502,107**

D. Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2018	2017
Cash flows from operating activities			
Profit for the year attributable to owners of the parent		351,636	685,284
Fair value adjustments on investment property	IV - 5	(289,014)	(635,131)
Depreciation, amortisation and impairment	IV - 3	1,569	1,345
Net additions to/(reversals of) provisions		1,100	(1,791)
Net (gains)/losses from disposals of assets, after tax	IV - 5	(16)	(80,290)
Discounting adjustments and valuation (gains)/losses on financial instruments		19,534	(649)
Deferral of rent-free periods and key money	V - 1	529	(12,458)
Employee benefits	IX - 3	1,952	1,546
Non-controlling interests in profit for the year	VII - 5	33,010	110,988
Cash flow after finance costs and income tax		**120,300**	**68,844**
Finance costs	VI - 2	32,452	41,339
Income tax	X - 2-3	14,494	42,523
Cash flow before finance costs and income tax		**167,246**	**152,706**
Change in working capital		276	28,610
Interest paid		(28,827)	(41,245)
Interest received		21	12
Income tax paid		(15,837)	(16,766)
Net cash provided by operating activities		**122,879**	**123,317**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XII	(38,106)	(207,399)
Acquisitions of intangible assets and property and equipment		(245)	(369)
Proceeds from disposals of investment property, intangible assets and property and equipment	XII	255	441,785
Other cash inflows and outflows		468	–
Net cash provided by (used by) investing activities		**(37,628)**	**234,017**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		–	–
Purchases and sales of treasury shares, net		(295)	1,438
Dividends paid to owners of the parent	VII - 3	(106,383)	(48,512)
Dividends paid to non-controlling interests		(6,921)	(5,517)
Proceeds from new borrowings		1,269,204	689,610
Repayments of borrowings		(1,180,350)	(945,552)
Other movements in financing items		(17,512)	(1,390)
Net cash provided by (used by) financing activities		**(42,257)**	**(309,923)**
Net change in cash and cash equivalents		**42,994**	**47,411**
Cash and cash equivalents at beginning of year		(17,690)	(65,101)
Cash and cash equivalents at end of year	XII	25,304	(17,690)
Net change in cash and cash equivalents		**42,994**	**47,411**

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

E – Notes to the 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 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 standards published by the IASB and adopted by the European Union are effective for annual periods ending 31 December 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 financial statements for the year 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 consolidated financial statements.

The following new standards and amendments published by the IASB are applicable in accounting periods beginning after 31 December 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.

- Amendments to IAS 1 & IAS 8 – Definition of "material". The IASB has published amendments to its definition of "material" to make it easier for management to exercise judgement when assessing materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

- Annual Improvements to IFRS, 2015-2017 cycle. Limited amendments have been made to four IFRSs. The amendment to IAS 23 clarifies how to determine the amount of borrowing costs to be capitalised as part of the cost of an asset when general borrowings are used to fund the asset.

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 Year

II - 1) Redevelopment and renovation programmes

Properties undergoing development at 31 December 2018 represented roughly 16% of the total portfolio. They consist mainly of three flagship projects being implemented over the next four years. The first of these concerns the retail space in the Louvre-Saint-Honoré complex, representing approximately 16,000 sq.m. The second is the Biome office complex located on avenue Émile Zola, acquired in 2017, representing some 24,000 sq.m. that will be extensively remodelled. The building permit was obtained in May 2018 and the property is currently being prepared for redevelopment. The third project concerns the approximately 9,000 sq.m. 83 Marceau building. The building permit appeal process for this project has now been completed and redevelopment work is about to start.

There were no material acquisitions or disposals in 2018.

In the course of the year, leases were signed on some 21,000 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.

Two new five-year revolving lines of credit were obtained during the year, in July from BCEM and in October from Société Générale, for a total of €250 million.

In September 2018, a €300 million negotiable European commercial paper (NEU CP) programme was set up. Issuance under the programme amounted to €263 million at 31 December 2018.

In parallel, an offer was launched to buy back two bond issues due in November 2021 and November 2022, respectively. At the close of the offer period, on 26 September 2018, bonds with an aggregate face value of €300 million had been tendered to the offer, in line with the original objective, including €150 million worth of bonds due on 2021 and €150 million worth of bonds due on 2022.

These transactions, which were part of the Company's active debt management strategy, allowed SFL to significantly reduce future average borrowing costs while also extending the average maturity of its debt.

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	Other Paris	Western Crescent	Corporate	Total
Rental Income	160,490	30,074	2,945	–	193,509
Property expenses, net of recoveries	(8,838)	(1,108)	(827)	–	(10,773)
Net property rentals	**151,652**	**28,966**	**2,118**	**–**	**182,736**
Other income	2,771	731	441	66	4,009
Depreciation, amortisation and impairment	–	–	–	(1,569)	(1,569)
Provision (expense)/reversals, net	(307)	(348)	–	(649)	(1,304)
Employee benefits expense	–	–	–	(12,788)	(12,788)
Other expenses	–	–	–	(8,987)	(8,987)
Profit/(loss) on disposal of other assets	–	–	–	(6)	(6)
Profit on disposal of investment property	–	22	–	–	22
Fair value adjustments on investment property	257,000	32,113	(99)	–	289,014
Operating profit	**411,116**	**61,484**	**2,460**	**(23,933)**	**451,127**
Finance costs and other financial expenses	–	–	–	(36,728)	(36,728)
Financial income	–	–	–	4,276	4,276
Fair value adjustments to financial instruments	–	–	–	(18,987)	(18,987)
Discounting adjustments to receivables and payables	–	–	–	(548)	(548)
Changes in provisions for financial assets, net	–	–	–	–	–
Profit/(loss) before income tax	**411,116**	**61,484**	**2,460**	**(75,920)**	**399,140**
Income tax expense	(5,168)	–	–	(9,326)	(14,494)
Profit/(loss) for the year	**405,948**	**61,484**	**2,460**	**(85,246)**	**384,646**
Attributable to owners of the parent	**366,024**	**61,484**	**2,460**	**(78,332)**	**351,636**
Attributable to non-controlling interests	39,924	–	–	(6,914)	33,010
Other comprehensive income					
Actuarial gains and losses	–	–	–	8	8
Other comprehensive income/(expenses)	–	–	–	(15)	(15)
Items that will not be reclassified to profit or loss	–	–	–	(7)	(7)
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/(expenses)	**–**	**–**	**–**	**(7)**	**(7)**
Comprehensive income/(expenses)	**405,948**	**61,484**	**2,460**	**(85,253)**	**384,639**
Attributable to owners of the parent	**366,024**	**61,484**	**2,460**	**(78,339)**	**351,629**
Attributable to non-controlling interests	39,924	–	–	(6,914)	33,010

(in thousands of euros)	Paris Central Business District	Other Paris	Western Crescent	Corporate	Total
Segment assets	5,341,502	1,018,795	98,134	47,740	6,506,171
Unallocated assets	–	–	–	82,630	82,630
Total assets	**5,341,502**	**1,018,795**	**98,134**	**130,370**	**6,588,801**

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.

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

* **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.

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	31 Dec. 2018
Cost					
Computer software	6,633	–	–	68	6,701
Other	821	157	–	(68)	910
Amortisation and impairment					
Computer software	(6,245)	(259)	–	–	(6,504)
Other	–	(448)	–	–	(448)
Carrying amount	**1,209**	**(550)**	**–**	**–**	**659**

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	31 Dec. 2018
Cost					
Owner-occupied property	21,238	–	–	–	21,238
Other property and equipment	5,910	88	(27)	11	5,982
Depreciation and impairment					
Owner-occupied property	(2,770)	(371)	–	–	(3,141)
Other property and equipment	(2,772)	(490)	17	–	(3,245)
Carrying amount	**21,606**	**(773)**	**(10)**	**11**	**20,834**

The appraisal value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €43,261 thousand at 31 December 2018 and €40,970 thousand at 31 December 2017.

IV - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2018	2017
Amortisation and impairment of intangible assets	(707)	(443)
Depreciation and impairment of property and equipment	(862)	(902)
Total	**(1,569)**	**(1,345)**

Amortisation and impairment of intangible assets relate to computer software. Depreciation and impairment of property and equipment concern owner-occupied property (corresponding to the Company's headquarters) and other property and equipment.

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

The loss on disposal of other assets in 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.
In practice, investment property is reclassified as held for sale when the sale has been decided by the Board of Directors or a selling agent has been appointed. It continues to be measured at fair value after reclassification in accordance with IFRS 5.

Valuation method

The Group's entire property portfolio was valued at 31 December 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: 55%
– Jones Lang LaSalle: 45%
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 valuers' fees are agreed before the appraisal process begins and do not depend in any way on the value of the properties to be appraised. They are determined at a flat rate based exclusively on the number of properties to be valued and the complexity of the appraisal process. Fees paid to the valuers in 2018, other than for annual property, appraisals amounted to €38 thousand.

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	Reclassifications	31 Dec. 2018
Investment property	6,119,148	50,510	310,348	(230)	(21,335)	(11)	6,458,430
Total	**6,119,148**	**50,510**	**310,348**	**(230)**	**(21,335)**	**(11)**	**6,458,430**

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

(in thousands of euros)	2018	2017
Appraisal value of investment property, excluding transfer costs	6,569,609	6,229,075
Deduction of owner-occupied property (see Note IV-2)	(43,261)	(40,970)
Adjustments to reflect specific lease terms and other adjustments	(67,917)	(68,957)
Fair value of investment property in the statement of financial position	**6,458,430**	**6,119,148**

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

Geographic area	Value excluding transfer costs 31 December 2018 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	5,446	Market rent for offices	€600 - 820	€718
		Exit yield	3.15% - 3.40%	3.27%
		Discount rate	3.90% - 5.20%	4.22%
Other Paris	1,025	Market rent for offices	€548 - 682	€592
		Exit yield	3.40% - 3.80%	3.53%
		Discount rate	4.00% - 6.25%	4.78%
Western Crescent	98	Market rent for offices	€313 - 441	€375
		Exit yield	4.03% - 4.95%	4.13%
		Discount rate	4.50% - 5.95%	4.75%
Total	**6,569**			

(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 €507,250 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 €594,983 thousand.

IV - 6) Profit on disposal of investment property

During the year, the Group sold an apartment located in Saint-Denis (93). In 2017, the Group realised a profit on the sale of the In/Out building in Boulogne-Billancourt (92) in September.

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 is recognised on a straight-line basis over the fixed 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. Other income corresponds mainly to external management fees and is recognised when the related services are rendered in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services, in accordance with IFRS 15.

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 98% of rental income. Net property rentals take into account the net negative impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In 2018, this impact was €529 thousand.

(in thousands of euros)	2018	2017
Rental income	**193,509**	**195,780**
Property operating expenses	(43,334)	(44,605)
Property expenses recovered from tenants	32,561	33,732
Property expenses, net of recoveries	**(10,773)**	**(10,873)**
Net property rentals	**182,736**	**184,907**

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	**696,698**	**181,486**	**432,270**	**82,942**

V - 2) Other income

(in thousands of euros)	2018	2017
Own-work capitalised	58	4
Other income	3,951	2,156
Total	**4,009**	**2,160**

The item "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 amortised cost, corresponding to the initial invoice amount. Upon origination, the receivables are written down based on the expected loss-to-maturity model, in accordance with IFRS 9. In subsequent periods, the collection risk is systematically reviewed on a case-by-case basis, and a loss allowance is recorded if necessary to reflect the incurred risk.

(in thousands of euros)	31 Dec. 2018			31 Dec. 2017
	Total	Due within 1 year	Due within 1 year or more	
Trade receivables	74,261	18,679	55,581	79,606
Provisions	(1,575)	–	(1,575)	(892)
Trade receivables	**72,686**	**18,679**	**54,006**	**78,714**
Prepayments to suppliers	27	27	–	52
Employee advances	19	19	–	8
Tax receivables (other than income tax)	7,393	7,393	–	6,506
Other operating receivables	1,994	1,994	–	2,398
Other receivables	232	232	–	704
Other receivables	**9,665**	**9,665**	**–**	**9,668**
Total	**82,351**	**28,344**	**54,006**	**88,382**

Trade receivables include €67,917 thousand (of which €14,307 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)	2018	2017
Increases in provisions	(242)	(131)
Reversals of provisions	38	6
Bad debt write-offs, net of recoveries	(5)	(30)
Total	**(209)**	**(155)**
Rental income	193,509	195,780
Net losses as a % of rental income	**0.11%**	**0.08%**

V - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2018	31 Dec. 2017
Deferred tax assets	32	69
Total other non-current assets	**32**	**69**
Income tax prepayments	158	71
Prepayments	213	219
Total other current assets	**371**	**290**

Deferred tax assets are analysed in Note X-3.

V - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2018	31 Dec. 2017
Trade payables	6,697	6,325
Amounts due within one year on asset acquisitions	18,623	10,473
Total	**25,320**	**16,798**

At 31 December 2018, amounts due within one year on asset acquisitions mainly concerned the Biome building.

V - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2018	31 Dec. 2017
Deposits	23,214	22,136
Total other non-current liabilities	**23,214**	**22,136**
Deposits	2,207	4,625
Customer prepayments	19,997	17,046
Accrued employee benefits expense	5,157	7,957
Accrued taxes	12,648	13,344
Other liabilities	3,682	4,483
Accruals	576	4,622
Total other current liabilities	**44,267**	**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 2019 and related to the 131 Wagram and Biome buildings, for a total of €8,443 thousand.
The amounts reported under "Accruals" correspond to deferred revenue.

V - 7) Other expenses

(in thousands of euros)	2018	2017
Fees	(1,726)	(1,708)
Taxes other than on income	(2,521)	(1,851)
Other	(4,740)	(4,357)
Total	**(8,987)**	**(7,916)**

Fees paid to the Auditors in 2018 were as follows:

(in thousands of euros)	2018	2017	2018	2017
	PricewaterhouseCoopers		Deloitte & Associés	
Statutory and contractual audits	318	321	236	242
Other services	52	53	44	20
Total	**370**	**374**	**280**	**262**

In 2018, fees for other services mainly concerned the issuance of a comfort letter in connection with the May 2018 bond issue, review of the Non-Financial Information Statement at the Company's request, and, to a lesser extent, review of the translation of financial information.

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.

(in thousands of euros)			31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
	Effective interest rate	Expiry date	Short-term portion		Long-term portion	
Bonds						
€500 million bond issue, 2014-2021	1.875%	26 Nov. 2021	647	925	350,000	500,000
€500 million bond issue, 2015-2022	2.25%	16 Nov. 2022	993	1,418	350,000	500,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	4,459	–	500,000	–
Bank loans						
Banco Sabadell	Euribor + spread	5 June 2020	–	1	–	10,000
BNP Paribas 2016	Euribor + spread	24 May 2021	40	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	2,625	2,630	199,160	201,240
Negotiable European commercial paper (NEU CP)	Fixed rate (payable in advance)	Due within 1 year	262,500	–	–	–
Interest rate swaps						
CA-CIB 5-year swap	0.23%	28 Nov. 2022	52	53	989	51
Bank overdrafts	Various		–	33,400	–	–
Current account advances (liabilities)	Various		40	55	52,246	55,646
Impact of deferred recognition of debt arranging fees			(2,398)	(2,146)	(8,315)	(5,706)
Total			**268,958**	**36,485**	**1,494,080**	**1,661,231**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2018	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2017
Bonds	1,206,099	6,099	700,000	500,000	1,002,343
Banco Sabadell	–	–	–	–	10,001
BNP Paribas 2016	50,040	40	50,000	–	75,042
BECM	–	–	–	–	150,091
Cadif	–	–	–	–	175,016
Natixis/Deka/Deutsche Hypothekenbank	201,785	2,625	199,160	–	203,870
Negotiable European commercial paper (NEU CP)	262,500	262,500	–	–	–
CA-CIB 5-year swap	1,041	52	989	–	104
Current account advances (liabilities)	52,286	40	52,246	–	55,701
Deferred debt arranging fees	(10,713)	(2,398)	(7,092)	(1,223)	(7,852)
Bank overdrafts	–	–	–	–	33,400
Total	**1,763,038**	**268,958**	**995,303**	**498,777**	**1,697,716**

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

Debt covenants and acceleration clauses in force at 31 December 2018 concerned the following lines of credit: Société Générale, BECM, BNP Paribas, Cadif, Banco Sabadell and Banque Postale. They can be broken down as follows:

Applicable ratios	Actual ratios at 31 Dec. 2018	Actual ratios at 31 Dec. 2017	Main acceleration clauses
Loan-to-value (LTV) <= 50%	24.1%	24.6%	Loan default Termination of operations
Interest cover >= 2	5.1	4.0	Bankruptcy proceedings
Secured LTV <= 20%	2.9%	3.1%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€6.0bn	€5.6bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2018.

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

(in thousands of euros)	2018	2017
Interest on bank loans, bonds and commercial paper	(31,689)	(39,841)
Interest on external current account advances	(156)	(228)
Hedging losses	(561)	(53)
Other financial expenses	(4,322)	(2,739)
Finance costs and other financial expenses	**(36,728)**	**(42,861)**
Interest income	21	9
Financial expense transfers	4,255	1,509
Other financial income	–	4
Financial income	**4,276**	**1,522**
Finance costs and other financial income and expenses, net	**(32,452)**	**(41,339)**

Financial expense transfers correspond to finance costs capitalised at the rate of 1.72%, mainly during the redevelopment of the Louvre Saint-Honoré and Biome buildings.

VI - 3) Financial instruments

Accounting policy

The Group uses derivative instruments such as interest rate swaps and caps to hedge the risk of changes in interest rates. These instruments are measured at fair value at each period-end. Gains and losses arising from changes in fair value are recognised directly through profit or loss.
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.
The Group does not apply hedge accounting.

At 31 December 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

At 31 December 2018, the Group's hedging instruments had a negative fair value of €398 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	31 Dec. 2018	31 Dec. 2017
CA-CIB 0.23% swap	100,000	Nov. 2022	(989)	(51)
Cadif 0.25% cap	100,000	Nov. 2022	591	1,484
Total	**200,000**		**(398)**	**1,433**

Fair value adjustments to financial instruments

(in thousands of euros)	2018	2017
Bond retirement penalties	(17,156)	–
Interest rate hedges	(1,831)	43
Total	**(18,987)**	**43**

In September 2018, SFL retired €300 million worth of bonds due on November 2021 and November 2022, and paid retirement penalties of €17,156 thousand to the bond holders.

Fair value adjustments to hedging instruments recognised through profit represented a negative €1,831 thousand in 2018.

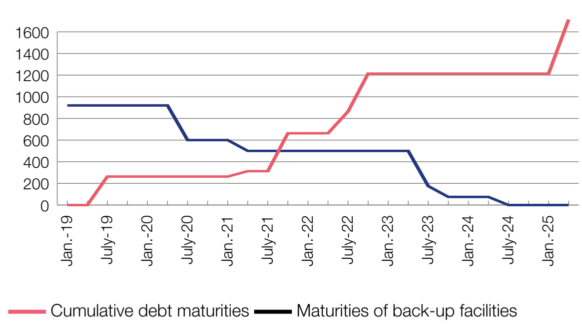
VI - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1/ Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2018, SFL had access to confirmed undrawn lines of credit representing €920 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.

LIQUIDITY RISK



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. Counterparty risks are minimised by keeping cash surpluses to a minimum. 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

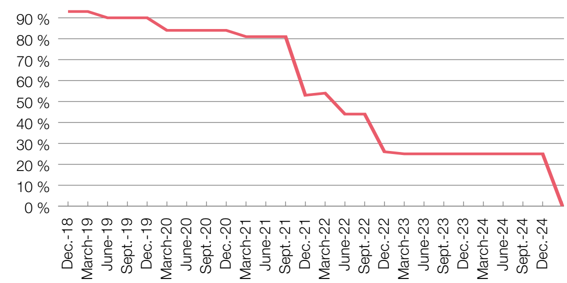
The Group did not have any exposure to currency risk at 31 December 2018. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently 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.

At 31 December 2018, 93% of debt was hedged against interest rate risks.

SFL DEBT HEDGING RATE 2018-2024



b/ Risk assessment

The average spot cost of debt stood at 1.49% at 31 December 2018, versus 1.69% at 31 December 2017.

A 50-basis point rise in interest rates across the yield curve in 2018 would have the effect of increasing the average cost of debt to 1.55%, driving up finance costs for the year by €1,064 thousand, representing 2.9% of annual financial expense. A 50-basis point decline in interest rates across the yield curve would lower the average cost of debt to 1.43%, reducing annual finance costs by €993 thousand, representing 2.7% of annual financial expense.

Concerning hedging instruments, a 50-basis point increase in interest rates would have the effect of increasing the fair value of hedging instruments by €2,668 thousand at 31 December 2018, while a 50-basis point decrease would reduce their fair value by €2,292 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 31 December 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	–	–	50,000	–	–	–	50,000
Negotiable European commercial paper (NEU CP)	262,500	–	–	–	–	–	262,500
Current account advances	–	52,246	–	–	–	–	52,246
Total floating rate debt	**262,500**	**52,246**	**50,000**	**–**	**–**	**–**	**364,746**

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

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2018 was €1,222,330 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	31 Dec. 2018	31 Dec. 2017
November 2014 bonds	350,000	Nov. 2021	362,607	526,900
November 2015 bonds	350,000	Nov. 2022	368,298	535,735
May 2018 bonds	500,000	May 2025	491,425	–
Total	**1,200,000**		**1,222,330**	**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 year	Decreases	Impairment losses reversed during the year	31 Dec. 2018
Deposits	697	–	–	(468)	–	229
Interest rate hedges	1,484	–	–	(893)	–	591
Total	**2,181**	**–**	**–**	**(1,361)**	**–**	**820**

Hedging instruments with a positive fair value recognised in assets totalled €591 thousand at 31 December 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 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)	31 Dec. 2018	31 Dec. 2017
Cash at bank and in hand	25,304	15,710
Total	**25,304**	**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	31 Dec. 2018
Number of treasury shares	307,135	89,591	(122,452)	274,274
Average purchase/sale price, in euros	€64.26	€59.46	€55.31	€66.69
Total	**19,736**	**5,327**	**(6,773)**	**18,290**

VII - 3) Dividends

(in thousands of euros)	2018		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)	2018	2017
Profit used to calculate basic earnings per share	351,636	685,284
Number of ordinary shares at 31 December	46,528,974	46,528,974
Number of treasury shares at 31 December	(274,274)	(307,135)
Number of ordinary shares at 31 December excluding treasury shares	**46,254,700**	**46,221,839**
Earnings per share	**€7.60**	**€14.83**
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 31 December	(274,274)	(307,135)
Weighted average number of ordinary shares excluding treasury shares	**46,254,700**	**46,221,839**
Basic earnings per weighted average share	**€7.60**	**€14.83**

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

VII - 5) Non-controlling interests in net profit

(in thousands of euros)	2018	2017
SCI Washington	**17,396**	**29,427**
Rental income	*7,862*	*6,940*
Fair value adjustments on investment property	*9,607*	*22,498*
Net financial expense	*(151)*	*(157)*
Other	*78*	*146*
Parholding subgroup	**15,614**	**81,561**
Rental income	*14,986*	*14,519*
Fair value adjustments on investment property	*10,357*	*90,979*
Net financial expense	*(1,766)*	*(1,852)*
Deferred tax	*(3,543)*	*(18,016)*
Current tax	*(3,600)*	*(3,096)*
Other	*(820)*	*(973)*
Total	**33,010**	**110,988**

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	Reclassifications	31 Dec. 2018
Provisions for refurbishment work and tenant claims	–	–	–	–	–	–	–
Provisions for employee benefits	1,161	621	(54)	*(54)*	(8)	(500)	1,220
Long-term provisions	**1,161**	**621**	**(54)**	***(54)***	**(8)**	**(500)**	**1,220**
Provisions for refurbishment work and tenant claims	356	119	–	–	–	–	475
Provisions for taxes other than on income	–	332	–	–	–	–	332
Provisions for employee benefits	13	29	–	–	–	500	542
Short-term provisions	**369**	**480**	**–**	**–**	**–**	**500**	**1,349**
Total	**1,530**	**1,101**	**(54)**	***(54)***	**(8)**	**–**	**2,569**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €902 thousand. See Note IX-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €21 thousand at 31 December 2018 and €16 thousand at 31 December 2017.

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

(in thousands of euros)	2018	2017
Charges to provisions for impairment of current assets	(242)	(131)
Charges to provisions for operating contingencies and charges	(980)	(218)
Charges to provisions for other contingencies and charges	(120)	(97)
Total charges	**(1,342)**	**(446)**
Reversals of provisions for impairment of current assets	38	6
Reversals of provisions for operating contingencies and charges	–	2,070
Reversals of provisions for other contingencies and charges	–	37
Total reversals	**38**	**2,113**
Total	**(1,304)**	**1,667**

IX - Remuneration and Other Employee Benefits

IX - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2018	2017
Wages and salaries	(6,779)	(6,755)
Payroll taxes	(3,560)	(4,102)
Other employee benefits	(1,952)	(1,546)
Statutory and discretionary profit-sharing	(497)	(3,006)
Total	**(12,788)**	**(15,409)**

The decrease in employee benefits expense in 2018 mainly concerns employee profit-sharing, which rose sharply in 2017 due to the profit on the sale of the In/Out building (see Note IV-6).

The average number of administrative staff breaks down as follows:

	2018	2017
Officers	2	2
Managers	54	57
Supervisors	12	12
Administrative and technical staff	2	4
Total	**70**	**75**

The Group also had two building staff at 31 December 2018 and 2017.

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)	2018	2017
Projected benefit obligation at 1 January	**872**	**862**
Benefits paid during the year	(54)	(21)
Service cost	83	75
Interest cost	9	9
Actuarial gains and losses	(8)	(53)
Projected benefit obligation at 31 December	**902**	**872**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 1.57% (31 December 2017: 1.30%) and a 2.20%-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 31 December 2018 would lead to a €17 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 31 December 2018

	Plan no. 4	Plan no. 4	Plan no. 5
Date of shareholder authorisation	13 Nov. 2015	13 Nov. 2015	20 Apr. 2018
Grant date (date of Board meeting)	26 Apr. 2016	3 Mar. 2017	20 Apr. 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	(1,168)	(2,268)	(1,456)
Expected vesting rate at 31 December 2018	150.00%	100.00%	100.00%
Number of shares expected to vest at 31 December 2018	**46,302**	**31,108**	**32,136**

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 NAV 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 31 December 2018, the rates applied were 150% for the 2016 plan (probable ranking: no. 1) 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 2018 amounted to €1,952 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)	2018	2017
Short-term benefits, excluding payroll taxes(1)	3,215	2,973
Payroll taxes on short-term benefits	1,272	1,216
Share-based payments(2)	1,311	1,012
Directors' fees	713	763
Total	**6,511**	**5,964**

(1) Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the year.
(2) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

At 31 December 2018, related-party transactions comprised current account advances representing the share of the minority shareholder, Predica, 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	2020	2021	Total
Amount payable	**8,316**	**5,052**	**13,368**

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 Biome 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 2018 amounted to €7,371 thousand (2017: €6,451 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% in 2019 and 25% as from 2022. 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 31 Dec. 2018
Fair value adjustments on investment property	(171,910)	–	–	(5,349)	(177,259)
Adjustment of depreciation	(23,039)	–	–	(1,919)	(24,958)
Adjustment of property rentals	(1,601)	–	–	182	(1,419)
Capitalisation of interest expense and transaction costs	(521)	–	–	–	(521)
Other	(836)	–	–	(37)	(873)
Net	**(197,907)**	**–**	**–**	**(7,123)**	**(205,030)**
Of which deferred tax assets	69	–	–	(37)	32
Of which deferred tax liabilities	(197,976)	–	–	(7,086)	(205,062)

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 (including first demand guarantees)	53,666	3,283	18,706	31,677
Other first demand guarantees	400	–	400	–
Guarantees received from suppliers	1,336	1,336	–	–
Total commitments received	**55,402**	**4,619**	**19,106**	**31,677**

Contractual redevelopment and renovation obligations

At 31 December 2018, the Group's contractual commitments relating to investment property undergoing renovation totalled €23,288 thousand (€26,747 thousand at 31 December 2017), of which €19,836 thousand concerned the Louvre Saint-Honoré, Biome and 83 Marceau properties.

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
BECM	150,000	–	150,000	–
2016 BNP Paribas	100,000	–	100,000	–
2015 BNP Paribas	250,000	–	250,000	–
Banque Postale	75,000	–	–	75,000
Banco Sabadell	70,000	–	70,000	–
Société Générale	100,000	–	100,000	–
Cadif	175,000	–	175,000	–
Total	**920,000**	**–**	**845,000**	**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.

One 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 31 December 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)	2018	2017
Acquisitions of and improvements to investment property		
Purchase price	–	(160,662)
Transaction costs	–	(5,938)
Work	(38,106)	(40,799)
Total	**(38,106)**	**(207,399)**
Proceeds from disposals of investment property, intangible assets and property and equipment		
Sale price	264	445,000
Transaction costs	(9)	(3,215)
Total	**255**	**441,785**
Cash and cash equivalents at end of year		
Cash at bank and in hand	25,304	15,710
Bank overdrafts	–	(33,400)
Total	**25,304**	**(17,690)**

Non-cash changes in bonds and bank borrowings amounted to €3,965 thousand in 2018 and corresponded 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 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

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 81.7% of the capital at 31 December 2018. The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

Company Financial Statements for the Year Ended 31 December 2018

Balance Sheet

ASSETS

(in €)	Total	Depreciation, amortisation and provisions	31 Dec. 2018 Net	31 Dec. 2017 Net
NON-CURRENT ASSETS				
Intangible assets				
Start-up costs	–	–	–	–
Software	6,656,310	6,504,885	151,425	342,211
Lease premiums and goodwill(1)	–	–	–	–
Other	–	–	–	–
Intangible assets in progress	886,594	447,888	438,706	797,926
Property and equipment				
Land	677,127,489	–	677,127,489	677,192,241
Buildings	910,571,710	261,143,559	649,428,151	735,043,162
Other	5,178,036	2,938,320	2,239,716	2,549,528
Assets under construction	177,937,927	–	177,937,927	89,650,242
Prepayments to suppliers of property and equipment	–	–	–	–
Non-current financial assets(2)				
Shares in subsidiaries and affiliates	478,346,284	–	478,346,284	478,346,284
Advances to subsidiaries and affiliates	26,878,699	–	26,878,699	27,484,332
Other long-term investments	–	–	–	–
Loans	–	–	–	–
Other	405,541	–	405,541	685,394
Total I	**2,283,988,590**	**271,034,652**	**2,012,953,938**	**2,012,091,320**
CURRENT ASSETS				
Inventories and work in progress				
Receivables(3)				
Prepayments to suppliers	25,645	–	25,645	51,587
Rental receivables	3,394,322	472,592	2,921,730	7,626,055
Other	477,348,200	–	477,348,200	476,874,751
Current financial assets				
Treasury shares	15,274,068	–	15,274,068	15,518,062
Other marketable securities	–	–	–	–
Treasury instruments	1,065,662	–	1,065,662	1,343,666
Cash at bank and in hand	2,903,901	–	2,903,901	2,235,618
Prepaid expenses(3)	78,708	–	78,708	188,055
Total II	**500,090,506**	**472,592**	**499,617,914**	**503,837,794**
Deferred charges **(III)**	5,489,726	–	5,489,726	5,596,536
Debt redemption premiums **(IV)**	4,135,448	–	4,135,448	855,998
Total assets (I + II + III + IV)	**2,793,704,270**	**271,507,244**	**2,522,197,026**	**2,522,381,648**
(1) Of which lease premiums				
(2) Of which due within one year (gross)			*26,878,699*	*27,484,323*
(3) Of which due beyond one year (gross)			*467,639,003*	*473,491,116*

EQUITY AND LIABILITIES

(in €)	31 Dec. 2018	31 Dec. 2017
EQUITY		
Share capital	93,057,948	93,057,948
Share premium account	556,114,516	556,114,516
Revaluation reserve	21,438,656	21,438,656
Other reserves		
Legal reserve	9,305,795	9,305,795
Statutory reserve	–	–
Untaxed reserves	–	–
Other	–	–
Retained earnings	166,350,667	343,033
Interim dividend	–	–
Profit for the year	22,245,051	272,390,385
Capital and reserves	**868,512,632**	**952,650,334**
Government grants	–	–
Untaxed provisions	23,596,632	20,796,172
Total I	**892,109,264**	**973,446,506**
Participating securities	–	–
Total Ia	–	–
Provisions for contingencies and charges	5,243,015	3,419,494
Total II	**5,243,015**	**3,419,494**
LIABILITIES(1)(2)		
Convertible bonds	–	–
Other bonds	1,206,098,630	1,002,342,466
Bank borrowings(3)	50,186,280	443,486,581
Other borrowings	319,064,558	51,535,178
Prepaid property rentals	11,061,366	7,730,262
Trade payables	8,270,446	7,268,388
Accrued taxes and payroll costs	11,960,195	18,867,360
Due to suppliers of property and equipment	16,288,910	8,072,725
Other liabilities	1,406,665	1,593,089
Treasury instruments	–	–
Deferred income	507,697	4,619,599
Total III	**1,624,844,747**	**1,545,515,648**
Total equity and liabilities (I + Ia + II + III)	**2,522,197,026**	**2,522,381,648**
(1) Of which due beyond one year	*1,309,150,881*	*1,464,565,556*
(2) Of which due within one year	*315,693,866*	*80,950,091*
(3) Of which short-term bank loans and overdrafts	*147,080*	*33,337,215*

Profit and Loss Account

(in €)	2018	2017
OPERATING INCOME		
Property rentals	105,852,477	99,591,492
Service revenue	1,846,527	1,830,445
Total revenue	**107,699,004**	**101,421,937**
Own-work capitalised	497,696	439,083
Reversals of depreciation, amortisation and provisions, and expense transfers	26,513,899	29,163,139
Other income	2,827,075	1,845,927
Total I	**137,537,673**	**132,870,086**
OPERATING EXPENSES		
Other purchases and external charges	29,533,801	34,796,161
Taxes other than on income	11,129,264	11,787,227
Payroll costs		
Wages and salaries	9,410,685	8,812,127
Payroll taxes and other employee benefits expenses	3,414,252	3,874,700
Depreciation, amortisation and provision expense		
Depreciation and amortisation expense	40,572,948	46,201,193
Impairment losses on current assets	270,771	76,990
Provision expense	2,966,354	2,136,051
Other expenses	1,327,839	827,853
Total II	**98,625,914**	**108,512,302**
OPERATING PROFIT (I - II)	**38,911,759**	**24,357,784**
FINANCIAL INCOME		
From investments in subsidiaries and affiliates	31,254,884	29,992,024
From other non-current financial assets	–	–
Other interest income	793,059	937,564
Reversals of provisions and impairment losses, and expense transfers	3,365,939	4,806,501
Net gains from sales of current financial assets		
Total III	**35,413,882**	**35,736,089**
FINANCIAL EXPENSES		
Amortisation, impairment losses and other provision expense	1,199,746	445,885
Interest expense	46,663,735	36,922,641
Net losses from sales of current financial assets	–	–
Total IV	**47,863,481**	**37,368,526**
NET FINANCIAL EXPENSE (III - IV)	**(12,449,599)**	**(1,632,437)**
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)	**26,462,160**	**22,725,347**
OTHER INCOME		
From revenue transactions	94,799	90,544
From capital transactions	432,787	445,231,288
Reversals of provisions and impairment losses, and expense transfers	9,034	1,178,596
Total V	**536,620**	**446,500,428**
OTHER EXPENSES		
On revenue transactions	7,609	135,466
On capital transactions	1,998,831	191,921,153
Amortisation, impairment losses and other provision expense	2,828,880	2,499,777
Total VI	**4,835,320**	**194,556,396**
OTHER INCOME/(EXPENSE), NET (V - VI)	**(4,298,700)**	**251,944,032**
Employee profit-sharing (IX)	(77,124)	2,327,288
Income tax expense (X)	(4,466)	(48,294)
Total income (I + III + V)	**173,488,175**	**615,106,603**
Total expenses (II + IV + VI + IX + X)	**151,243,125**	**342,716,218**
Profit/(loss) for the year	**22,245,051**	**272,390,385**

I - Accounting Policies

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and segregation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

a) Intangible assets

Intangible assets recognised in the balance sheet mainly consist of software purchased or developed for the Company's ERP system.

b) Property and equipment

1 - Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are therefore capitalised.

Capitalised renovation costs also include borrowing costs for the period until the property is put back on the rental market, calculated at the average month-end interest rate after hedging.

The cost of properties does not include transaction expenses (CRC 2004-06).

2 - Depreciation and impairment

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 over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties held in the portfolio when the component approach was adopted were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at that date.

The useful lives of the component parts of investment property are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof, windows, doors	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:
– The useful lives of the component parts of the property. 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 over its respective useful life.
– The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

The properties' carrying amounts are compared with their market values at six-monthly intervals and an impairment loss is recognised if market value is less than the carrying amount. The valuation of the portfolio at 31 December 2018 was performed by independent experts Jones Lang LaSalle and Cushman & Wakefield.

c) Non-current financial assets

Non-current financial assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date. The fair value of shares in subsidiaries and affiliates takes into account the market value of the investee's property assets.

An additional provision is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned.

The total provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognised in liabilities under provisions for contingencies.

d) Stock option and performance share plans

In accordance with CNC standard no. 2008-17 dated 4 December 2008 concerning the accounting treatment of stock option and performance share plans, SFL has bought back shares for allocation to these plans based on the probability of the options being exercised or the performance share rights vesting.

When it is probable that the options will be exercised or the performance share rights will vest, a provision is recorded for the difference between the buyback price of the allocated shares and the exercise price of the options or performance share rights.

Impairment of treasury shares not allocated to a stock option or performance share plan is calculated based on their fair value at the balance sheet date.

If the share price increases to above the exercise price for certain options or performance share rights, the provision for impairment of these shares is reversed and a provision for contingencies is recorded based on the exercise price of the options or performance share rights.

In accordance with Emerging Issues Task Force Opinion no. 2002-D dated 18 December 2002 concerning the accounting treatment of a company's own shares originally classified as marketable securities and subsequently allocated to performance share plans, the shares' carrying amount on the reclassification date is treated as their new cost and any impairment losses recorded prior to that date are therefore not reversed when the shares are reclassified. No further impairment losses are recorded on the shares as from the reclassification date.

For each performance share plan, the number of performance shares that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate.

The probable outflow of resources is then recognised on a straight-line basis over the vesting period.

Details of the plans are presented in Note A-3).

e) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis.

Files are transferred to the collection department when rents are 30 days past due.

Except in specific cases, the following provision rates are applied according to the type of lease:
– Residential leases: 100%.
– Office and retail leases: 50% when the tenant is still occupying the premises; 100% when they have vacated the premises.

f) Current financial assets

Current financial assets are stated at the lower of cost and fair value, with fair value corresponding to the average market price for the last month of the period.

g) Expense transfers

Expense transfers correspond mainly to service charges billed to tenants, including various property taxes, and deferred borrowing costs.

h) Financial income and expense

Accrued interest payable or receivable under interest rate swaps is recognised in the balance sheet.

Net gains and losses on financial instruments contracted for hedging purposes are recognised in the profit and loss account on an accruals basis.

II - Significant Events of the Year

A – Significant events

Redevelopment projects

The three main redevelopment projects being carried out by the Company over the next four years concern:
– The retail space in the Louvre Saint-Honoré complex (around 16,000 sq.m.)
– The Biome office complex acquired jointly with a wholly-owned subsidiary, Société Immobilière Victoria, in 2017. The building permit, covering a final surface area of around 24,000 sq.m., was obtained in May 2018 and the property is currently being prepared for redevelopment.
– The 83 Marceau building, representing approximately 9,000 sq.m. The building permit appeal process has ended and renovation work is due to begin shortly.

Apart from the sale of an apartment in Saint-Denis, a suburb of Paris, no properties were purchased or sold in 2018.

Financing and hedges

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

Two new five-year revolving lines of credit were obtained during the year, in July from BCEM and in October from Société Générale, for a total of €250 million.

In September 2018, a €300 million negotiable European commercial paper (NEU CP) programme was set up. Issuance under the programme amounted to €263 million at 31 December 2018.

In parallel, an offer was launched to buy back two bond issues due in November 2021 and November 2022 respectively. At the close of the offer period on 26 September 2018, bonds with an aggregate face value of €300 million had been tendered to the offer, in line with the original objective, including €150 million worth of bonds due in 2021 and €150 million worth of bonds due in 2022.

These transactions, which were part of the Company's active debt management strategy, allowed SFL to significantly reduce future average borrowing costs while also extending the average maturity of its debt.

B – Tax audits

In 2018, a tax audit was performed on SFL's accounts for 2015 and 2016. The audits had no material impact on the financial statements.

The Company has accepted and settled the tax reassessments notified by the tax authorities, concerning corporate income tax for €32 thousand and office tax (recoverable from tenants) for €16 thousand.

C - Subsequent events

None.

III - Notes to the Financial Statements

A - Notes to the Balance Sheet

A - 1) Non-current assets

A - 1.1) Intangible assets

Intangible assets at cost (in €)	31 Dec. 2017	Additions	Disposals	Reclassifications	31 Dec. 2018
Software	6,587,904	–	–	68,406	6,656,310
Intangible assets in progress	797,926	157,074	–	(68,406)	886,594
Total	**7,385,830**	**157,074**	**0**	**0**	**7,542,904**

Software includes both software licences and internally-developed software.

Amortisation and impairment of intangible assets	31 Dec. 2017	Amortisation and impairment for the year	Amortisation written off on disposals and other	31 Dec. 2018
Software	6,245,693	259,192	–	6,504,885
Intangible assets in progress	0	447,888	–	447,888
Total	**6,245,693**	**707,080**	**0**	**6,952,773**

A - 1.2) Property and equipment

Property and equipment at cost (in €)	31 Dec. 2017	Additions	Disposals	Reclassifications	31/12/2018
Land	677,197,889	–	70,400	–	677,127,489
Buildings	454,673,955	–	179,600	26,394	454,520,749
Leasehold buildings	52,940,893	–	–	(52,940,893)	0
Fixtures and fittings	453,361,216	–	1,312,534	4,002,279	456,050,961
Furniture and equipment	5,095,612	–	–	82,424	5,178,036
Assets under construction	89,650,242	39,457,889	–	48,829,796	177,937,927
Total	**1,732,919,807**	**39,457,889**	**1,562,534**	**0**	**1,770,815,162**

Additions to property and equipment generally correspond to costs accumulated in the “Assets under construction” account that are reclassified on delivery of the property to the appropriate depreciable asset accounts.

Depreciation (in €)	31 Dec. 2017	Depreciation for the year	Depreciation written off on disposals	Reclassifications	31 Dec. 2018
Land	–	–	–	–	–
Buildings	49,063,872	8,739,334	44,087	–	57,759,119
Fixtures and fittings	176,869,032	27,806,084	1,290,676	–	203,384,440
Furniture and equipment	2,546,084	392,236	–	–	2,938,320
Total	**228,478,988**	**36,937,654**	**1,334,763**	**0**	**264,081,879**

Impairment (in €)	31 Dec. 2017	Increases	Decreases	31 Dec. 2018
Land	5,649	–	5,649	0
Total	**5,649**	**0**	**5,649**	**0**

Impairment losses recorded on buildings are adjusted at half-yearly intervals to take into account changes in the properties’ appraisal values.
No impairment losses were recorded on any of the Company’s properties at 31 December 2018.
In 2018, depreciation written off on disposals concerned the sale of an apartment in Saint-Denis.

A - 1.3) Non-current financial assets

Shares in subsidiaries and affiliates are presented below (list of subsidiaries and affiliates):

Non-current financial assets at cost (in €)	31 Dec. 2017	Additions	Disposals	31 Dec. 2018
Shares in subsidiaries and affiliates	478,346,284	–	–	478,346,284
Advances to subsidiaries and affiliates	27,484,333	26,878,699	27,484,333	26,878,699
Loans	0	–	–	0
Deposits	685,394	6,035	285,888	405,541
Total	**506,516,011**	**26,884,734**	**27,770,221**	**505,630,524**

Analysis by maturity at 31 December 2018 (in €)	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current financial assets					
Advances to subsidiaries and affiliates	26,878,699	*26,878,699*	26,878,699	–	–
Deposits	405,541	–	–	–	405,541

LIST OF SUBSIDIARIES AND AFFILIATES

Company	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Outstanding guarantees	Last published net revenue	Last published profit	Dividends received during the year	Observations
				Cost	Net						
A - Investments with a gross value in excess of 1% of SFL's capital:											
1. Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934,400	114,273,279	100%	291,846,722	291,846,722	–	–	16,213,406	10,694,404	–	–
SCI 103 Grenelle	150	9,224,552	100%	1,168,570	1,168,570	156,177,177	–	9,694,279	5,654,218	–	–
SCI Washington	94,872,000	20,178,362	66%	79,788,878	79,788,878	101,486,392	–	25,055,620	14,427,913	–	–
SAS Société Immobilière Victoria	243,856	90,782,697	100%	86,761,320	86,761,320	5,200,000	–	–	(76,132)	–	–
2. Affiliates (10-50%-owned)											
SAS Parholding	15,000,000	9,646,912	50%	18,400,300	18,400,300	–	–	–	6,780,438	3,753,128	–
B - Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)	–	–	–	380,493	380,493	207,546,932	–	–	1,397,154	624,243	–
Affiliates (less than 50%-owned)	–	–	–	–	–	–	–	–	–	–	–

A - 2) Receivables

Analysis by maturity at 31 December 2018 (in €)	Total	*o/w accrued income*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	25,645	–	25,645	–	–
Trade receivables	3,394,322	*1,423,948*	2,455,674	938,648	–
Other					
• Employee advances					
• Prepaid and recoverable taxes	4,412,076	*59,812*	4,412,076	–	–
• Current account advances	471,900,355	*77,492*	5,200,000	–	466,700,355
• Miscellaneous receivables	1,035,769	*11,406*	1,035,769	–	–
Prepaid expenses	78,708	–	78,708	–	–

Impairment (in €)	31 Dec. 2017	Increases	Decreases	31 Dec. 2018
Rental receivables	218,312	270,771	16,491	472,592
Total	**218,312**	**270,771**	**16,491**	**472,592**

A - 3) Current financial assets

Marketable securities consist exclusively of treasury shares.

The total carrying amount of treasury shares held at 31 December 2018 came to €15,274 thousand compared with a market value of €17,152 thousand, reflecting the average share price of €62.54 for the month of December 2018 (versus €54.40 for December 2017).

Treasury shares	31 Dec. 2017	Additions(1)	Disposals	31 Dec. 2018
Number of shares	307,135	141,828	174,689	274,274
Average purchase/sale price (in €)	€54.99	€59.11	€57.23	€55.69
Total	**16,889,368**	**8,382,938**	**9,998,239**	**15,274,068**

(1) Including 49,034 shares allocated to performance share plans.

In light of the purpose to which the treasury shares have been allocated, no impairment provision was recorded against the shares at 31 December 2018.

Treasury shares	Number of shares	Cost	Provisions	Net	Market value	Gross gain or loss
Shares allocated to share-based payment plans(1)						
2016 performance share plan	46,302	2,417,034	N/A(*)	2,417,034	–	–
2017 performance share plan	31,108	1,551,956	N/A(*)	1,551,956	–	–
2018 performance share plan	32,136	1,863,888	N/A(*)	1,863,888	–	–
Sub-total	**109,546**	**5,832,878**	**0**	**5,832,878**	–	–
Available treasury shares						
Shares held for future stock-for-stock acquisitions	135,410	8,361,365	0	8,361,365	8,468,040	106,675
Shares held for external growth transactions	23,283	704,866	0	704,866	1,456,033	751,167
Shares held under the liquidity contract	6,035	374,959	0	374,959	377,407	2,448
Sub-total	**164,728**	**9,441,190**	**0**	**9,441,190**	–	–
Total	**274,274**	**15,274,068**	**0**	**15,274,068**	–	–

(1) Treasury shares allocated to performance share plans concern SFL Group companies and are carried at cost.

Impairment (in €)	31 Dec. 2017	Increases	Decreases	Reclassifications	31 Dec. 2018
Treasury shares	1,371,306	–	1,183,808	(187,498)	0
Total	**1,371,306**	**0**	**1,183,808**	**(187,498)**	**0**

Changes in impairment over the year included a €1,184 thousand provision reversal through profit and the reclassification of €187 thousand following the allocation of shares to performance share plans at their net book value on the transfer date.

Performance share plans for Company employees are as follows:

Details of the performance share plans	Plan no. 4	Plan no. 4	Plan no. 5
Date of General Meeting	13 Nov. 2015	13 Nov. 2015	20 Apr. 2018
Grant date	26 Apr. 2016	3 Mar. 2017	20 Apr. 2018
End of vesting period	31 Dec. 2018	31 Dec. 2019	31 Dec. 2020
Initial expected vesting rate	70.83%	70.83%	100.00%
Target number of shares	22,561	22,691	32,280
Value per share(1)	€48.50	€48.70	€58.00

(1) SFL share price on the grant date

Number of performance share rights expected to vest	Plan no. 4	Plan no. 4	Plan no. 5
Number of shares expected to vest at beginning of the year	31,040	31,252	–
Performance share rights granted during the year	15,392	–	32,280
Performance share rights cancelled during the year (departures/vesting conditions not met)	(256)	(1,456)	(1,456)
Expected vesting rate at 31 December 2018	150.00%	100.00%	100.00%
Number of shares expected to vest at the year-end	**46,176**	**29,796**	**30,824**

A - 4) Treasury instruments

Option premiums (caps)	Life of the instrument	Total	Amortisation for the year	Accumulated amortisation	Net
Cadif 25 bps cap – value at 16 November 2017	5 years	1,390,000	278,004	324,338	1,065,662
Total		**1,390,000**	**278,004**	**324,338**	**1,065,662**

The premium is recognised over the life of the cap.

A - 5) Deferred charges

Debt issuance costs (in €)	Amortisation period	Total	Accumulated amortisation at 1 Jan. 2018	Amortisation for the year	Accumulated amortisation at 31 Dec. 2018	Net
2014 bond issuance costs	7 years	2,465,480	1,085,888	660,430	1,746,318	719,162
2015 bond issuance costs	7 years	2,407,120	730,737	743,625	1,474,362	932,758
2018 bond issuance costs	7 years	1,946,406	–	162,203	162,203	1,784,203
2014 BECM loan fees	5 years	1,050,000	787,500	262,500	1,050,000	–
2014 Natixis loan fees	5 years	900,000	570,000	330,000	900,000	–
2014 Natixis loan renegotiation fees	4 years	100,000	55,107	44,893	100,000	–
2015 BNP Paribas loan fees	5 years	1,222,088	611,040	381,903	992,943	229,145
2016 BNP Paribas loan fees	5 years	771,084	244,170	154,212	398,382	372,702
2017 Crédit Agricole loan fees	6 years	320,200	28,906	53,364	82,270	237,930
2017 Crédit Agricole loan fees, addendum 1	5.5 years	230,160	–	42,168	42,168	187,992
2017 Banque Postale loan fees	7 years	262,500	18,750	37,500	56,250	206,250
2018 BECM loan fees	5 years	525,000	–	43,750	43,750	481,250
2018 Société Générale loan fees	5 years	350,000	–	11,666	11,666	338,334
Total		**12,550,038**	**4,132,098**	**2,928,214**	**7,060,312**	**5,489,726**

Fees are amortised over the life of the loan at the same rate as repayments.

A - 6) Debt redemption premiums

Redemption premiums (in €)	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2014 bonds	7 years	615,000	164,734	435,611	179,389
2015 bonds	7 years	735,000	227,063	450,188	284,812
2018 bonds	7 years	4,005,000	333,753	333,753	3,671,247
Total		**5,355,000**	**725,550**	**1,219,552**	**4,135,448**

Redemption premiums are amortised over the life of the loan at the same rate as repayments.

A - 7) Equity

A - 7.1) Changes in equity

A. Equity at 31 December 2017 before appropriation of profit for the year	**973,446,506**
B. Appropriations decided at the Annual General Meeting	
Transfer to the legal reserve	–
C. Dividend paid during the year	
2017 dividend decided by the Annual General Meeting of 20 April 2018	(106,382,752)
D. Other movements for the year	
Share issues	–
Reduction in the share premium account	–
Change in untaxed provisions	2,800,459
Profit for the year	22,245,051
E. Equity at 31 December 2018	**892,109,264**
F. Change in equity during the year	**(81,337,242)**

At 31 December 2018, the Company's share capital comprised 46,528,974 ordinary shares with a par value of €2. The number of voting rights at that date was 46,254,700.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 81.71% of the capital at 31 December 2018.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties.

Untaxed provisions	31 Dec. 2017	Increases	Decreases	31 Dec. 2018
Excess tax depreciation	20,796,172	2,800,460	–	23,596,632
Total	**20,796,172**	**2,800,460**	**0**	**23,596,632**

A - 7.2) Dividends

Dividends	2018		2017	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	106,382,752	€2.30	48,512,390	€1.05
Total	**106,382,752**	**€2.30**	**48,512,390**	**€1.05**

A - 7.3) Provisions for contingencies and charges

Provisions for contingencies and charges (in €)	31 Dec. 2017	Increases	Decreases	31 Dec. 2018
Provisions for property-related contingencies and tenant claims	356,000	119,000	–	475,000
Provision for financial risks	–	474,196	–	474,196
Provisions for employee benefits	3,063,494	2,875,773	1,645,448	4,293,819
Total	**3,419,494**	**3,468,969**	**1,645,448**	**5,243,015**

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 Management's judgement.

Provisions for property-related contingencies and tenant claims mainly concern former tenants.

The provision for financial risks concerns the unrealised loss on the cap recognised at the year-end and corresponds to the net exposure.

Provisions for employee benefits correspond for the most part to deferred performance share plan costs. Decreases in 2018 included the €1,645 thousand provision reversed upon delivery of shares granted under the plan dated 17 May 2015.

A - 8) Liabilities

Liabilities by maturity at 31 December 2018 (in €)	Total	*o/w accrued expenses*	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Bonds	1,206,098,630	*6,098,630*	6,098,630	700,000,000	500,000,000
Bank borrowings	50,186,280	*41,851*	186,280	50,000,000	0
Other borrowings and financial liabilities					
. Tenant deposits	12,037,104	–	981,977	4,200,259	6,854,868
. Negotiable European commercial paper (NEU CP)	262,500,000	–	262,500,000	–	–
. Current account advances	44,527,454	*106,492*	106,492	–	44,420,962
Prepaid property rentals	11,061,366	–	11,061,366	–	–
Trade payables	8,270,446	*7,441,594*	8,270,446	–	–
Accrued payroll costs	4,848,993	*4,391,599*	4,848,993	–	–
Accrued taxes	7,111,202	*1,267*	3,858,108	3,253,094	–
Due to suppliers of property	16,288,910	*11,951,674*	16,288,910	–	–
Other liabilities	1,406,665	*562,046*	1,406,665	–	–
Deferred income	507,697	–	85,999	311,408	110,290
Total	**1,624,844,747**	***30,595,153***	**315,693,866**	**757,764,761**	**551,386,120**

Prepaid property rentals correspond to rent and property expenses for the first quarter of 2019 payable in advance.
Accrued employee benefits expense mainly includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the two annual exit tax instalments due on the 131 Wagram building, for a total of €6,506 thousand.

Changes in long and short-term debt (in €)	31 Dec. 2018	31 Dec. 2017	Year-on-year change
2014 bonds	350,647,260	500,924,658	(150,277,398)
2015 bonds	350,992,466	501,417,808	(150,425,342)
2018 bonds	504,458,904	–	504,458,904
2014 BECM loan	0	150,090,667	(150,090,667)
2016 BNP Paribas loan	50,039,200	75,042,298	(25,003,098)
Banco Sabadell loan	0	10,000,667	(10,000,667)
2017 Crédit Agricole loan	0	175,015,735	(175,015,735)
Bank overdrafts	147,080	33,337,214	(33,190,134)
Negotiable European commercial paper (NEU CP)	262,500,000	–	262,500,000
Total	**1,518,784,910**	**1,445,829,047**	**72,955,863**

B - Notes to the Profit and Loss Account

B - 1) Net revenue

(in €)	2018	2017
Property rentals and lease termination penalties	98,097,490	91,933,050
Property management fees	1,912,140	2,066,430
Key money	511,104	766,668
Other fees	1,953,648	1,725,418
Facility management revenues	3,378,095	3,099,926
Sub-total	**105,852,477**	**99,591,492**
Administration and accounting fees	141,200	141,200
Payments received for seconded employees	1,705,327	1,689,245
Sub-total	**1,846,527**	**1,830,445**
Total	**107,699,004**	**101,421,937**

The increase in property rentals and lease termination penalties reflected the ending of the rent-free periods granted to certain new tenants of the #cloud.paris building on 31 December 2017.

B - 2) Payroll costs

(in €)	Administrative staff	Building staff	2018 total	2017 total
Wages and salaries				
Wages and salaries	9,337,948	72,737	9,410,685	8,812,127
Sub-total	**9,337,948**	**72,737**	**9,410,685**	**8,812,127**
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	2,861,292	38,548	2,899,840	3,349,041
Other employee benefits expenses	515,377	(965)	514,412	525,659
Sub-total	**3,376,669**	**37,583**	**3,414,252**	**3,874,700**
Total	**12,714,617**	**110,320**	**12,824,937**	**12,686,827**

The remuneration awarded to senior management (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €3,215 thousand in 2018.

Directors' fees for the year awarded to the members of the Board of Directors represented a total of €713 thousand in 2018.

B - 3) Number of employees

The average number of employees breaks down as follows:

(number)	2018	2017
Building caretakers	2	2
Administrative staff	2	3
Supervisors	8	9
Managers	49	51
Total	**61**	**65**

B - 4) Net financial expense

(in €)	2018	2017
Dividends from SAS Parholding	3,753,128	1,814,699
Dividends from SA Segpim	624,243	692,992
Revenue from SCI Paul Cézanne	10,694,385	7,062,306
Revenue from SNC Condorcet	1,012,142	10,915,426
Revenue from SCI Washington	9,522,423	6,150,226
Revenue from SCI 103 Grenelle	5,648,564	3,356,375
Sub-total	**31,254,884**	**29,992,024**
Interest income from current account advances to subsidiaries	788,045	931,174
Other financial income	5,014	6,390
Sub-total	**793,059**	**937,564**
Capitalised interest expense(1)	2,303,191	1,347,277
Reversals of impairment of current financial assets	1,062,748	1,172,276
Reversal of impairment of Vendôme Rome shares	–	2,286,948
Sub-total	**3,365,939**	**4,806,501**
Financial income	**35,413,882**	**35,736,089**
Change in provisions for bond redemption premiums	725,550	445,885
Sub-total	**725,550**	**445,885**
Interest expense on bonds and bank loans	25,179,054	33,324,843
Interest expense on current account advances from subsidiaries	198,758	235,365
Interest expense on bank overdrafts	37,282	186,219
Interest on negotiable European commercial paper (NEU CP)	(137,390)	–
Bank loan arranging fees	3,391,071	3,077,086
Expenses on financial instruments	1,313,656	99,128
Other financial expenses(2)	17,155,500	–
Sub-total	**47,137,931**	**36,922,641**
Financial expenses	**47,863,481**	**37,368,526**

(1) Capitalised interest expense concerns the financing of property redevelopment projects and corresponds to the interest capitalised during the redevelopment period.
(2) Other financial expenses correspond to balancing payments made on retirement of bond issues.

B - 5) Other income and expense

(in €)	2018	2017
Capital gains and losses on disposal of non-current assets, net[1]	32,229	256,538,804
Fines and penalties	(1,140)	–
Capital gains and losses on sales of treasury shares, net[2]	(1,598,273)	(941,720)
Value of Vendôme-Rome shares	–	(2,286,948)
Tax relief	60,594	85,847
Prior period adjustments, net	27,736	(130,769)
Untaxed provisions	(2,800,460)	(1,402,903)
Non-recurring reversals of provisions for contingencies	(28,420)	(13,200)
Insurance settlements	9,034	94,921
Total	**(4,298,700)**	**251,944,032**

(1) The net gain of €32 thousand corresponds mainly to the profit realised on the sale of an apartment in Saint-Denis for €260 thousand.
(2) The net loss on sales of treasury shares is analysed in Note A-7.3).

B - 6) Income tax expense

(in €)	2018	2017
Tax credits	(36,000)	(48,294)
2015-2016 corporate income tax reassessments	31,534	–
Total	**(4,466)**	**(48,294)**

C- Related party transactions

(in €)	2018	2017
Balance Sheet		
Non-current financial assets	478,346,284	478,346,284
Advances to subsidiaries and affiliates	26,878,699	27,484,333
Other loans	374,685	368,649
Trade receivables	589,608	590,220
Other receivables	471,900,355	472,619,155
Other borrowings	148,627	148,627
Trade payables	3,134,357	2,987,525
Other liabilities	44,527,454	36,960,278
Profit and Loss Account		
Revenue	3,347,772	3,329,200
Other income	649,493	645,356
Expense transfers	267,096	293,476
Other purchases and external charges	2,039,987	1,767,709
Property management fees	2,308,095	2,468,102
Dividend income from subsidiaries and affiliates	31,254,884	29,992,024
Interest expense on liabilities related to advances to subsidiaries and affiliates	106,492	–
Interest received on advances to subsidiaries and affiliates	695,779	792,795
Interest paid on liabilities related to advances to subsidiaries and affiliates	–	96,986

D - Off-balance sheet commitments

Guarantees and other commitments

Guarantees and other commitments (in €)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given	–	–	–	–
Locaparis real estate guarantees	110,000	110,000	–	–
Commitments received				
GAPD Neuflize Obc/Mr and Mrs Balian	400,000	–	400,000	–
Guarantees received from tenants	28,616,086	699,162	9,901,728	18,015,195
Guarantees received from suppliers	85,437	85,437	–	–
Undrawn confirmed lines of credit				
BECM loan	150,000,000	–	150,000,000	–
Cadif loan	175,000,000	–	175,000,000	–
Société Générale loan	100,000,000	–	100,000,000	–
2015 BNP Paribas loan	250,000,000	–	250,000,000	–
Banque Postale loan	75,000,000	–	–	75,000,000
Banco Sabadell loan	70,000,000	–	70,000,000	–
2016 BNP Paribas loan	100,000,000	–	100,000,000	–

At 31 December 2018, the Company's portfolio included:

– A five-year swap with CA-CIB (variable rate swapped for a fixed rate of 0.23%) on a notional amount of €100,000 thousand. The instrument came into effect on 28 November 2017. At 31 December 2018, the swap had a negative fair value of €989 thousand (including the borrowing cost).

– A five-year cap at 0.25% on a notional amount of €100,000 thousand set up with Cadif (the option writer). The option came into effect on 16 November 2017. At 31 December 2018, the cap had a positive fair value of €591 thousand (including the borrowing cost).

Hedging portfolio

Hedging instruments	Notional amount	Maturity	Value at 31 December 2018
CA-CIB 0.23% swap	100,000,000	Nov. 2022	(989,370)
Cadif 0.25% cap	100,000,000	Nov. 2022	591,466
	200,000,000		**(397,904)**

Contractual redevelopment and renovation obligations

At 31 December 2018, the Company's contractual commitments related to redevelopment and renovation work totalled €21,969 thousand (€25,475 thousand at 31 December 2017) of which €19,836 thousand concerned the Louvre Saint-Honoré, Biome and 83 Marceau properties.

Employee benefits

SFL has elected not to use the recommended method for recognising pension and other post-employment benefit obligations.

The amount of these obligations, for which no provision has been set aside, stood at €785 thousand at 31 December 2018.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative and that, consequently, the benefits are subject to payroll taxes.

The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 1.57% and a 2.20% rate of future salary increases.

SFL'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 Company provide for the payment of one month's salary to:
- administrative staff who complete 20, 30, 35 and 40 years of service, and
- 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 SFL does not have any such defined benefit obligations, no sensitivity analyses are presented.

E – Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Inmobiliaria Colonial SA, a company governed by Spanish law and listed on the Madrid stock exchange (ISIN: ES0139140018).

Statutory Auditors' Reports Year ended 31 December 2018

Statutory Auditors' Report on the consolidated financial statements

Year ended 31 December 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Société Foncière Lyonnaise for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Fair value measurement of investment property

Description of risk	How our audit addressed this matter
The Company and its subsidiaries own investment property that are measured at fair value as allowed under IAS 40. Gains and losses arising from changes in fair value from the previous year are recognised in profit. The carrying amount of investment property in the consolidated statement of financial position is €6,458,430 thousand, representing an increase over the year of €289,014 thousand. All of the Group's property assets have been valued by qualified independent valuers to estimate their fair value. Valuing a property asset requires a significant degree of judgement to determine appropriate assumptions concerning, for example, investment yields, discount rates, market rents and the value of any specific incentives granted to tenants. Given that the value of the investment property portfolio is material in relation to the consolidated financial statements taken as a whole and considering the significant use of judgement to determine the main assumptions used in the appraisal process and the sensitivity of fair values to changes in these assumptions, the measurement of investment property is considered to be a key audit matter. *Notes I-3) and IV-5) to the consolidated financial statements*	We verified the effective implementation and quality of management's process for reviewing valuations and checking the data used by the property valuers for valuation purposes. We assessed the competence and independence of the property valuers used by the Company. We obtained copies of the appraisal reports and performed a critical review of the valuation methods, market parameters (investment yields, discount rates, market rents) and the specific assumptions applied to each property. Using sampling techniques, we reconciled the information given by management to the independent valuers and used for the valuers' appraisals to the relevant documentation, such as leases. Accompanied by our own property experts, we met with the independent valuers and the Company's management to rationalise the overall portfolio appraisal. We verified that the appraisal values were properly accounted for and checked that the information disclosed in the notes to the consolidated financial statements was appropriate.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Société Foncière Lyonnaise by the Annual General Meetings of 20 June 1995 for PricewaterhouseCoopers Audit and 21 April 2005 for Deloitte & Associés.

At 31 December 2018, PricewaterhouseCoopers Audit (as a result of the mergers that took place) and Deloitte & Associés were in the 24th and 14th consecutive year of their engagement, respectively.

• Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

• Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

– identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
– obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;

- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

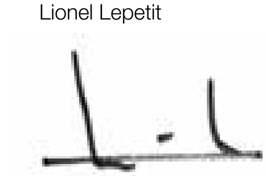
We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

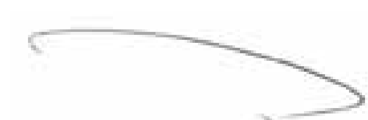
We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2019
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit



Deloitte & Associés
Laure Silvestre-Siaz



Statutory Auditors' Report on the Company financial statements

Year ended 31 December 2018

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Foncière Lyonnaise for the year ended 31 December 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2018 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) no. 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were of most significance in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Valuation and impairment risk of property and equipment

Description of risk	How our audit addressed this matter
Property and equipment, consisting almost exclusively of property assets, are carried in the Company's balance sheet for an amount of €1,506,733,283. Property is stated at cost less accumulated depreciation and any accumulated impairment losses. Impairment is determined by comparing the carrying amount to market value. The Company works with independent property valuers to determine market value. Appraisal of a property asset's market value requires significant judgement to determine the appropriate assumptions. Given that the value of property and equipment is material in relation to the Company financial statements taken as a whole, and considering the significant use of judgement to determine the main assumptions used in the appraisal process and the sensitivity of market values to changes in these assumptions, measuring property and equipment and assessing the related impairment risk are considered to be a key audit matter. *Note I-b) to the Company financial statements.*	We verified the effective implementation and quality of management's process for reviewing valuations and checking the data used by the property valuers for valuation purposes. We assessed the competence and independence of the property valuers used by the Company. We obtained copies of the appraisal reports and performed a critical review of the valuation methods, market parameters (investment yields, discount rates, market rents) and the specific assumptions applied to each property. Using sampling techniques, we reconciled the information given by management to the independent valuers and used for the valuers' appraisals to the relevant documentation, such as leases. Accompanied by our own property experts, we met with the independent valuers and the Company's management to rationalise the overall portfolio appraisal. We verified that each property's market value was at least equal to the property's net book value. Where this was not the case, we obtained assurance that an impairment loss had been recorded in the accounts. We verified the appropriateness of the disclosures provided in the notes to the financial statements.

Description of risk	How our audit addressed this matter
Shares in subsidiaries and affiliates are carried in the Company's balance sheet for an amount of €478,346,284. Certain properties are owned by subsidiaries of the Company. Shares in subsidiaries and affiliates are initially recognised at cost and an impairment loss is recorded if their value in use falls below this amount. The determination of value in use takes into account the market value of the investee's property assets, based on the reports of independent valuers. Value in use assessments require significant judgement to determine the appropriate assumptions. Given that the value of shares in subsidiaries and affiliates is material in relation to the Company financial statements taken as a whole, and considering the significant use of judgement to determine the main assumptions used to determine values in use and the sensitivity of these values to changes in these assumptions, measuring shares in subsidiaries and affiliates and assessing the related impairment risk are considered to be a key audit matter. *Note I-c) to the Company financial statements.*	Our procedures to assess whether the estimates of the value in use of shares in subsidiaries and affiliates were reasonable consisted mainly of verifying that the valuation methods were appropriate. To this end: – in the same way as for assets owned directly, we performed a critical review of the methods used to value the assets held by the subsidiaries; – we verified that these assets' market values had been properly taken into account for the purpose of determining the value in use of shares in subsidiaries and affiliates. We also verified that the shares' value in use was at least equal to their historical cost. Where this was not the case, we obtained assurance that an impairment loss had been recorded in the accounts.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the parent company financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the Company financial statements of the information given with respect to payment terms as referred to in Article D.441-4 of the French Commercial Code.

Report on corporate governance

We attest that the corporate governance section of the Board of Directors' report sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L.225-37-5 of the French Commercial Code relating to items that the Company considers liable to have an impact in the event of a public cash or exchange offer, we verified the consistency of said information with the underlying documents provided to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Société Foncière Lyonnaise by the Annual General Meetings of 20 June 1995 for PricewaterhouseCoopers Audit and 21 April 2005 for Deloitte & Associés.

At 31 December 2018, PricewaterhouseCoopers Audit (as result of the mergers that took place) and Deloitte & Associés were in the 24th and 14th consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditor relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

– identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
– obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the Company financial statements;
– assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
– evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

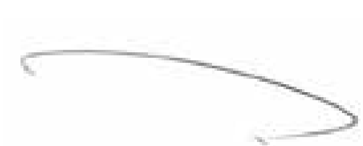
Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2019
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit

Deloitte & Associés
Laure Silvestre-Siaz



Statutory Auditors' special report on related party agreements and commitments

Annual General Meeting held to approve the financial statements for the year ended 31 December 2018

This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments 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 our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of, and the reasons for, the agreements and commitments that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements or commitments. Under the provisions of Article R.225-31 of the French Commercial Code (*Code de Commerce*), it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

We are also required to disclose the information provided for under Article R.225-31 of the French Commercial Code concerning the implementation in 2018 of any related party agreements and commitments approved by shareholders in prior years.

We performed the procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These standards require us to perform procedures to verify that the information given to us agrees with the underlying documents.

Agreements and commitments subject to approval by shareholders

Agreements and commitments authorised during 2018

We were not advised of any agreements or commitments authorised over the past year that would have to be submitted to the Annual General Meeting for approval in accordance with Article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the Annual General Meeting

Agreements and commitments approved in prior years

a) that were implemented in 2018

Agreement with Predica

Authorised at the Board meeting of 15 November 2012.

Approved by shareholders at the Annual General Meeting of 18 April 2013.

Persons concerned: Chantal du Rivau and Jean-Jacques Duchamp.

Nature and purpose of the agreement: partnership agreement with Parholding of 26 December 2012.

This partnership agreement signed with Predica on 26 December 2012 gives Société Foncière Lyonnaise and its representatives the power to control the strategic financial and operating decisions made within Parholding by virtue of a contractual arrangement.

Given that Chantal du Rivau and Jean-Jacques Duchamp are directors, and that the Crédit Agricole Group, of which Predica is a subsidiary, holds over 10% of the voting rights in the Company, the partnership agreement with Predica is governed by Articles L.225-38 *et seq.* of the French Commercial Code.

• Agreement with Dimitri Boulte

Authorised at the Board meeting of 27 January 2015.

Corporate officer concerned: Dimitri Boulte, Managing Director since 27 January 2015.

Nature and purpose of the agreement: Continuation of the employment contract signed prior to the appointment of Dimitri Boulte, who, under this contract, is compensated in his capacity as an employee and is entitled to long-term incentive bonus plans and benefits in kind in his capacity as a senior executive of the Company.

b) that were not implemented in 2018

In addition, we were advised of the continued application of the following agreements and commitments already approved by Annual General Meetings in previous years, which were not implemented over the year.

Agreement with Nicolas Reynaud

Authorised at the Board meeting of 27 January 2015.

Approved by shareholders at the Annual General Meeting of 22 April 2015.

Corporate officer concerned: Nicolas Reynaud, Chief Executive Officer since 27 January 2015.

Nature and purpose of the agreement: Payment of compensation for loss of office to Nicolas Reynaud in the event that he is dismissed from his position as Chief Executive Officer.

The agreement provides for the payment of compensation for loss of office to Nicolas Reynaud in the event that he is dismissed from his position as Chief Executive Officer as a result of a change of control or strategy and for reasons other than gross or wilful misconduct.

The compensation would represent the equivalent of two years' fixed annual remuneration and bonuses, based on his latest fixed annual salary and, until 31 December 2017, the most recent bonus paid.

As from 1 January 2018, the variable component would be based on the average of the bonuses paid for the three years preceding his dismissal.

No exceptional bonuses or other components of his remuneration package other than those defined in the agreement would be taken into account in the calculation.

The compensation amount would also depend on the growth in the previous year's EPRA earnings compared with the average increase for the two preceding years, as follows:

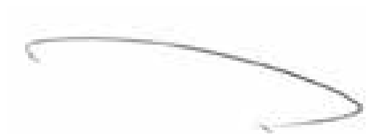
Prior year EPRA vs average for the two preceding years	Compensation for loss of office
100% or more	100%
Between 90% and 100%	80%
Between 75% and 90%	50%
Less than 75%	0%

In effecting the comparison, account would be taken of changes in the property portfolio in the years concerned.

Neuilly-sur-Seine and Paris-La Défense, 18 February 2019
The Statutory Auditors

PricewaterhouseCoopers Audit
Lionel Lepetit

Deloitte & Associés
Laure Silvestre-Siaz



Additional Information

1. Persons responsible for the Registration Document and the audit of the accounts

1.1. Statement by the person responsible for the Registration Document

Name and position

Nicolas Reynaud, Chief Executive Officer

Statement

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the financial statements 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 report of the Board of Directors on pages 4 *et seq.* 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.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the historical accounts contained therein.

Paris, 15 March 2019

Nicolas Reynaud
Chief Executive Officer

1.2. Persons responsible for the audit of the accounts

AUDITORS

	First appointed	Term renewed	Term expires*
Statutory Auditors			
Deloitte & Associés Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 6, Place de la Pyramide – 92908 Paris La Défense – France Represented by Laure Silvestre-Siaz	21 April 2005	28 April 2017	2022
PricewaterhouseCoopers Audit Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers – 92200 Neuilly-sur-Seine – France Represented by Lionel Lepetit	20 June 1995	18 April 2013	2018
Substitute Auditors			
Anik Chaumartin Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles 63, rue de Villiers – 92200 Neuilly-sur-Seine – France	9 May 2007	18 April 2013	2018

*At the close of the Annual General Meeting to be called to approve the financial statements for the year indicated.

2. Additional legal information

Corporate name and registered office

– Corporate name: Société Foncière Lyonnaise
– Registered office: 42, rue Washington, 75008 Paris, France
– Phone: 33 (0)1 42 97 27 00

Legal form

Société anonyme (public limited company) governed by the French Commercial Code

Governing Law

French law

Date of incorporation and term

– Incorporated on: 9 October 1879
– Term: 8 October 2064

Corporate purpose (Article 3 of the Articles of Association)

The Company's purpose is to:
– Acquire, by way of purchase or absorption or under a 99-year lease or a shorter lease, any and all real property located in France, the French overseas territories or abroad, and to extend any such properties; conduct any industrial, rental or management activities and generally enhance the value of the properties.
– Sell or exchange such properties, for cash or for shares.
– Manage properties on behalf of third parties.
– Participate by any method in any and all existing or future companies or business ventures related to the corporate purpose, including by means of the formation of new companies, the sale of assets in exchange for shares, membership of a general partnership, subscription or purchase of shares or other rights.
– Conduct any and all transactions related directly or indirectly to the corporate purpose or which are likely to facilitate the fulfilment of said purpose.

Registration particulars

Paris Companies Registry: 552 040 982 – NAF Code: 6820 B

Financial year

1 January to 31 December

Market for the Company's shares

SFL shares are quoted on Euronext Paris, compartment A
ISIN: FR0000033409
Reuters: FLYP PA
Bloomberg: FLY FP

3. Additional information about the Company's capital and share ownership

3.1. Excerpts from the Articles of Association concerning the Company's capital and share ownership

Changes in capital *(Articles 6, 7 and 8 of the Articles of Association)*

The Company's capital may be increased on one or more occasions by any method provided for by law.

The share capital is increased by the issue of ordinary shares or preference shares, or by raising the par value of existing shares. It may also be increased through the exercise of rights attached to securities with rights to shares, on the basis defined by law.

Shareholders in General Meeting may resolve to reduce the Company's capital either by reducing the par value of the shares or reducing the number of shares in issue.

Where shareholders in General Meeting resolve to reduce the Company's capital for any reason other than to absorb losses, the Board of Directors may be authorised to purchase a fixed number of shares to be subsequently cancelled in accordance with the applicable law.

Where a capital increase is carried out by issuing shares payable in cash, at least one quarter of the par value of such shares shall be paid up at the time of the issue, as well as the entire amount of any related premium. The Board of Directors shall decide upon the timing and amount(s) of the subsequent payment(s) of the balance due.

Amendments of shareholders' rights

There are no provisions in the Articles of Association concerning amendments of shareholders' rights. Shareholders' rights stipulated in the Articles of Association are based directly on the related provisions of the law.

Identification of shareholders
(Article 10 of the Articles of Association)

Fully paid-up shares may be held in registered or bearer form, at the option of the shareholder, in accordance with the law. They are recorded in a shareholder's account in accordance with the terms and conditions provided for in the applicable laws and regulations.

The Board of Directors is authorised to use all methods provided for under the applicable laws and regulations – including an application to the securities clearing house – to obtain identification details of holders of shares and other securities convertible, redeemable, exercisable or otherwise exchangeable for shares carrying voting rights at the Company's General Meetings, together with details of the number of securities held by each such person and of any restrictions affecting the securities.

Disclosure thresholds

The provisions of the Articles of Association concerning disclosure thresholds are summarised on page 27 of the Management Report.

Rights attached to shares
(Articles 11, 12, 13 and 14 of the Articles of Association)

Shares are indivisible vis-à-vis the Company, meaning that one share confers only one right. This does not, however, apply to the right to receive information prior to General Meetings as such entitlement applies both to the bare owners (*nu-propriétaires*) and the beneficial owners (*usufruitiers*) of any jointly held shares.

If several persons own the same share, they are required to elect one representative to act on behalf of that share. If no agreement can be reached on the appointment of such a representative, he or she shall be named by a Commercial Court judge in summary proceedings following an application by the first joint shareholder to take action.

Voting rights attached to the Company's shares shall be exercised by the beneficial owner in Ordinary General Meetings and by the bare owner in Extraordinary General Meetings. Voting rights attached to pledged shares are retained by the pledger.

In the event of a capital increase, any pre-emptive subscription or allocation rights attached to shares that have both legal and beneficial owners shall be exercised in accordance with the applicable law.

Shares are freely transferable, subject to the applicable legal and regulatory limits.

The Company's bearer shares may be traded on the stock market in accordance with the applicable laws. Shares may also be purchased or sold through off-market account transfers, subject to the conditions set down by the applicable laws and regulations.

All rights and obligations attached to shares are transferred with title thereto. Share ownership automatically requires shareholders to comply with the Company's Articles of Association and the decisions made by General Meetings.

The heirs or creditors of a shareholder may not under any circumstances apply for the Company's assets to be placed under seal or to be sold or divided, and may not interfere in any way whatsoever with the running of the Company. All rights of said persons are governed by the Company's applicable rules and regulations and decisions of General Meetings.

In accordance with Article 33 below, each share entitles its holder to a proportion of profits and net assets based on the proportion of capital represented by the share. All tax exemptions, as well as any tax payable by the Company, shall be applied to all of the Company's shares equally prior to any allocation or redemption, throughout the term of the Company or upon its liquidation, in order to ensure that all shares receive the same net amount.

Where a shareholder must own a specific number of shares to exercise a particular right relating to the exchange or allocation of shares, a reverse stock-split, a capital increase or reduction, a merger or other corporate action, shareholders owning fewer than the number of shares required to exercise the rights concerned will be personally responsible for obtaining said number, through share purchases or sales if necessary.

Appropriation of profits
(Article 33 of the Articles of Association)

The profit or loss for the year represents the difference between total income and total expenses, including charges to and reversals from depreciation, amortisation and provisions, shown in the profit and loss account.

At least 5% of net profit for the year, less any losses brought forward from prior years, is transferred to the legal reserve, until such time as the legal reserve represents one tenth of the share capital.

Profit available for distribution consists of profit for the year, less any losses carried forward from prior years and any amounts transferred to the legal reserve as provided for above, plus retained profits carried forward from prior years.

Total profit available for distribution is appropriated as follows:
– to provident reserves or any other reserves, by decision of the Annual General Meeting;
– to dividends payable to shareholders.

Any unappropriated balance is carried forward to the next year.

3.2. Excerpts from the Articles of Association concerning the Company's administrative and management bodies

Members of the Board of Directors
(Articles 15, 17 and 18 of the Articles of Association)

The Board of Directors has between three and 16 members. Directors are elected for a three-year term, except for directors aged 70 or over on the date of their election or re-election, who are elected for a one-year term.

The number of directors over 70 may not represent more than one-third of the serving members of the Board.

Each director must own at least 25 shares registered in their name.

The Board appoints one of its members to serve as Chairman, who must be a natural person.

The Chairman is required to retire from office at the close of the Annual General Meeting called to approve the financial statements for the year of his 75th birthday.

Executive management
(Article 21 of the Articles of Association)

The Chief Executive Officer is appointed by the Board of Directors, which may choose to appoint the Chairman of the Board of Directors to this position or another individual who may or may not also be a director.

The Chief Executive Officer may be removed at any time by the Board of Directors.

The age limit for serving as Chairman of the Board of Directors (Art. 18) also applies to the Chief Executive Officer.

The Board of Directors sets the Chief Executive Officer's term, the amount and terms of his or her remuneration and any restrictions on his or her powers.

The Chief Executive Officer has the widest powers to act in all circumstances in the name of the Company. He or she exercises these powers within the scope of the Company's corporate purpose and subject to those powers expressly conferred by law on General Meetings or the Board of Directors. He or she represents the Company in its dealings with third parties.

The Board of Directors may also appoint up to five Managing Directors. In his or her (their) dealings with third parties, the Managing Director(s) has (have) the same powers as the Chief Executive Officer.

3.3. Share capital

Share capital at 31 December 2018

As of 31 December 2018, the Company's issued share capital amounted to €93,057,948 divided into 46,528,974 ordinary shares with a par value of €2, all fully paid-up.

3.4. Ownership structure

SFL's ownership structure is described on page 23 of the Management Report.

To the best of the Company's knowledge, no arrangements exist whose implementation may result in a change in control in the future.

3.5. Shareholders' pacts

See page 29 of the Management Report for a description of the shareholders' pacts in force in relation to the Company.

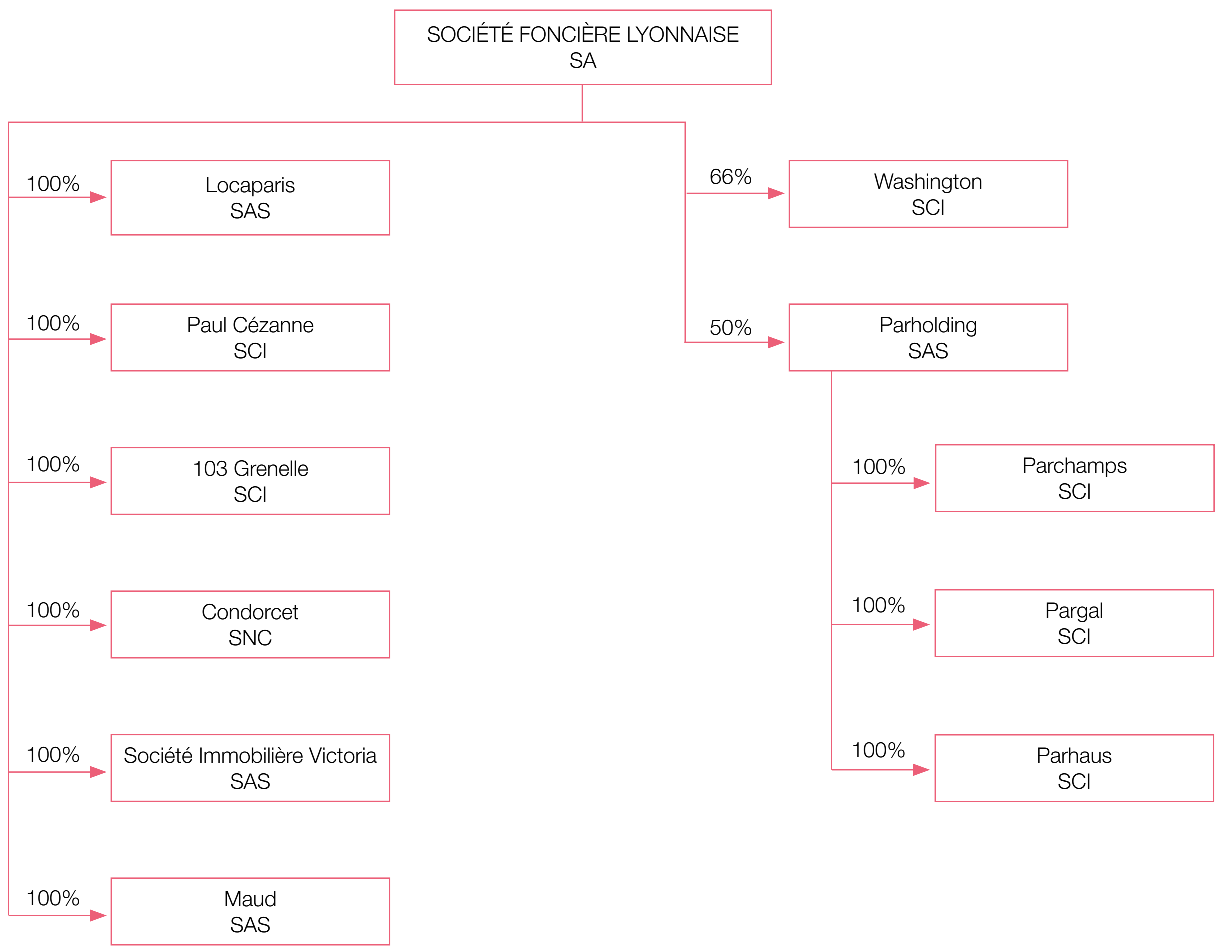
3.6. Corporate governance

In application of Article 21 of the Articles of Association, the functions of Chairman and Chief Executive Officer were separated on 27 January 2015.

The Board of Directors' corporate governance report can be found on pages 67 *et seq.* of this document.

4. Additional information about the Group's operations and organisational structure

4.1. Organisation chart



Six of the Company's active subsidiaries are wholly owned and the other active subsidiaries are 66% or 50% controlled under the terms of two shareholders' pacts with Predica.

Executive management positions (Chairman, Chief Executive Officer or Legal Manager) in these subsidiaries are held either by SFL or by a member of SFL's executive management.

SFL's Board of Directors examines the separate and consolidated financial statements presented by the Audit Committee.

SFL and all of its subsidiaries have their registered office at 42, rue Washington in the 8th *arrondissement* of Paris.

SFL conducts arm's length transactions with some of its subsidiaries, as follows:

- The Company manages an automatic cash pooling arrangement with SAS Locaparis, SA Segpim, Grenelle and SAS Maud, under which SFL lends to the cash pool members at EONIA +60bps and borrows from them at EONIA -10bps.
- SFL has current account and cash management agreements with SCI Washington, SCI Paul Cézanne, SNC Condorcet Holding, SNC Condorcet Propco and SAS Parholding, under which interest on advances made and received by SFL is charged at rates ranging from 0% to 3-month Euribor +60bps.

From time to time, SFL may issue guarantees on behalf of subsidiaries, on arm's length terms.

4.2. Material contracts

No company within the SFL Group is party to an agreement that would entail a material obligation or commitment for the Group, other than contracts entered into in the ordinary scope of business.

4.3. Dependence on patents or licences

Dependence

The SFL Group is not dependent on any patents or licences for the conduct of its business.

4.4. Third party information, statement by experts and declarations of any interests

The firms mentioned below have declared themselves to be independent.

All 20 properties owned by SFL have been valued and visited by experts over the last three years.

Statement by experts

SFL's entire property portfolio was valued at 31 December 2018 by two firms, Jones Lang LaSalle Expertise and Cushman & Wakefield Expertise.

The valuations were performed in accordance with the *Charte de l'expertise en évaluation immobilière* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF in 2004). They also complied with the standards issued by the European Group of Valuers' Associations (TEGoVA) and with Royal Institution of Chartered Surveyors (RICS) standards.

Method

The properties were valued primarily by the discounted cash flow method, which consists of discounting projected net future cash flows and the resale value of the property at the end of the projection period.

Each property is analysed in detail, based on the type of use and the surface area of each unit, lease by lease.

The valuers noted that, based on second-half 2018 rent-rolls, rents on certain units were above or below observed market rents for the second half of 2018 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 and service charges for the period until the units are re-let.

The cost of scheduled renovation work – based on information supplied by the Group – was taken into account over the cash flow projection period.

The results of the valuation were checked by applying the capitalised net rental revenue method, and based on direct comparisons with the observed price per square metre of recent buy-to-let transactions involving occupied and vacant properties.

The appraisal values were determined including transfer costs (calculated at a standard 7.5% or 6.9% for all properties subject to registration duty) and also excluding transfer costs.

At the request of the Group, the valuation method used in December 2018 was the discounted cash flow method.

Each of the two firms provided an individual appraisal value and is not responsible for the valuations performed by other firms.

Based on the foregoing, the appraisal value of the portfolio at 31 December 2018 was:
- €5,805,934,300 excluding transfer costs and €6,184,443,168 including transfer costs for the Group's share;
- €6,569,609,000 excluding transfer costs and €7,005,394,831 including transfer costs on a 100% basis.

Marc GUILLAUME
Partner, MRICS

Cushman & Wakefield Valuation France SA
Tour Opus 12 - 77 Esplanade du Général de Gaulle
92081 Paris La Défense Cedex
Tél. : +33 (0)1 53 76 92 92
Société anonyme au capital de 6 618 304 €
RC Siret 332 111 574 00048
N° TVA Intracommunautaire FR10 332 111 574

Jones Lang
LaSalle Expertises

Cross-reference tables

Information (EU regulation no. 809/2004)	Annual Report	Financial and Legal Report
1. Persons responsible		
1.1 Name and position of persons responsible		186
1.2 Statement by persons responsible		186
2. Statutory Auditors		187
3. Selected financial information	50 to 65	
4. Risk factors		
4 A. Risks that are specific to the property sector		
4 A-1 Property cycle risks		12
4 A-2 Asset valuation risks		12
4 A-3 Risks of a credit crunch		12
4 A-4 Risks associated with a highly competitive environment		12
4 B Sector-specific operational risks		
4 B-5 Tenant insolvency risk, correlated to economic growth and levels of inflation and consumer spending		13
4 B-6 Risk of asset obsolescence and impairment		13
4 B-7 Risks associated with the loss of key personnel		14
4 B-8 Risks associated with subcontractors and other service providers		14
4 C Legal and tax risks associated with the property business		
4 C-9 General regulatory compliance risks		15
4 C-10 Risks associated with government-related procedures		15
4 C-11 Risks of neighbour complaints		15
4 C-12 Risks associated with SIIC status		15
4 D Financial risks associated with the property business		
4 D-13 Liquidity risk		16
4 D-14 Counterparty risk		16
4 D-15 Interest rate risk		16
4.16 Financial risks linked to the effects of climate change		16
4.17 Claims and litigation		16
5. Information about the issuer		
5.1 History and development of the issuer		
5.1.1 Corporate name		187
5.1.2 Place of incorporation and registration number		187
5.1.3 Date of incorporation and term		187
5.1.4 Registered office, legal form, governing law, telephone number	68	187
5.1.5 Important events in the development of the business	17	7; 8; 135; 162
5.2 Investments	N/A	7; 8; 154; 162; 173
6. Business overview		
6.1 Principal activities	30; 31	7
6.2 Principal markets	52	7
6.3 Exceptional factors	N/A	N/A
6.4 Dependence on patents or licences, industrial, commercial or financial contracts or new manufacturing processes		191
6.5 The basis for statements made by the issuer regarding its competitive position		7; 12

Information (EU regulation no. 809/2004)	Annual Report	Financial and Legal Report
7. Organisational structure		
7.1 Brief description of the Group		190
7.2 List of significant subsidiaries		10
8. Property, plant and equipment		
8.1 Existing or planned material tangible fixed assets and any major encumbrances thereon	34 to 49	138; 158; 161; 163
8.2 Environmental issues that may affect the utilisation of tangible fixed assets		31 to 63
9. Operating and financial review		
9.1 Financial position		7 to 10; 130; 132; 158, 159
9.2 Operating results		7 to 9; 131; 160
10. Short and long-term capital resources		
10.1 Long-term capital resources	56 to 61	11; 130; 132; 159; 167
10.2 Sources and amounts of cash flows		133; 155
10.3 Borrowing requirements and funding structure	60; 61	8; 135; 144; 145; 162; 167 to 169; 172
10.4 Restrictions on the use of capital resources		12; 16
10.5 Information regarding anticipated sources of funds needed to fulfil capital expenditure commitments in items 5.2 and 8.1	N/A	N/A
11. Research, development, patents and licences		N/A
12. Trend information		
12.1 The most significant recent trends in production, sales and inventory, and costs and selling prices		7
12.2 Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects		11
13. Profit estimates or forecasts	N/A	N/A
14. Administrative, management, and supervisory bodies and senior management		
14.1 Board member and senior management information	20; 21	60 to 80
14.2 Conflicts of interest		72 to 74; 81 to 82
15. Remuneration and benefits		
15.1 Remuneration and benefits in kind		65; 87 to 98; 150
15.2 Total amounts set aside or accrued to provide pension, retirement or similar benefits		151; 154
16. Board practices		
16.1 Date of expiration of current terms of office		77
16.2 Service contracts with members of the administrative, management or supervisory bodies providing for benefits upon termination of employment, or appropriate negative statement		87
16.3 Information about the audit committee and remuneration committee	21	21; 22; 82 to 84
16.4 Statement of compliance with France's corporate governance regime		67; 82

Information (EU regulation no. 809/2004)	Annual Report	Financial and Legal Report
17. Employees		
17.1 Number of employees		54; 62; 66; 150; 170
17.2 Shareholdings and stock options		26; 64
17.3 Arrangements for involving employees in the Company's capital		64 to 66, 166
18. Major shareholders		
18.1 Shareholders owning over 5% of the capital or voting rights	64	23; 40
18.2 Different voting rights		23
18.3 Control of the issuer		23
18.4 Arrangements which may result in a change in control of the issuer		N/A
19. Related party transactions		182 to 183
20. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses		
20.1 Historical financial information		66; 195
20.2 Pro forma financial information	N/A	N/A
20.3 Financial statements		128 to 173
20.4 Auditing of historical annual financial information		176 to 181
20.5 Financial information at 31 December 2018		195
20.6 Interim and other financial information	N/A	N/A
20.7 Dividend policy		28
20.8 Legal and arbitration proceedings		16
20.9 Significant change in the issuer's financial or trading position		N/A
21. Additional information		
21.1 Share capital	68	189
21.2 Memorandum and articles of association		187 to 189
22. Material contracts		190
23. Third party information, statement by experts and declarations of any interests		191
24. Information on holdings		10; 11

Table of the main items of the Annual Financial Report

The table below indicates the pages in the Registration Document where key information required by the French securities regulator (AMF) can be found, in accordance with Article 212-13 VI of the AMF's general rules.

Information (in accordance with Article 222-3 of the AMF's general rules)	Registration Document
1. Financial statements of the Company	156 to 173
2. Consolidated financial statements	128 to 155
3. Management Report	4 to 126
4. Statement by the person responsible for the Registration Document	186
5. Auditors' reports on the financial statements of the Company and the consolidated financial statements	174 to 181
6. Fees paid to the Statutory Auditors	143

Historical financial information

Financial statements and Statutory Auditors' reports for 2018: see table above.

Pursuant to the AMF general rules, the following information is incorporated by reference:

– The consolidated financial statements for the year ended 31 December 2016, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 150 to 177 and 198 of the 2016 Registration Document (Financial and Legal Report) filed with the AMF on 5 April 2017 under No. D.17-0329.

– The consolidated financial statements for the year ended 31 December 2017, prepared in accordance with IFRS, and the related auditors' reports, as presented on pages 132 to 160 and 182 to 184 of the 2017 Registration Document (Financial and Legal Report) filed with the AMF on 29 March 2018 under No. D.18-0229.

SOCIETE FONCIERE LYONNAISE

French *société anonyme* with share capital of €93,057,948
Registered office: 42 rue Washington, 75008 Paris, France
Phone: + 33 (0) 1 42 97 27 00 – Fax: + 33 (0) 1 42 97 27 26
www.fonciere-lyonnaise.com
Paris Companies Registry: 552 040 982

Design and production

SOCIETE FONCIERE LYONNAISE