INTERIM FINANCIAL REPORT

Six months ended 30 June 2015

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INTERIM MANAGEMENT REPORT

As of 30 June 2015, the composition of the Board of Directors of SFL was as follows:

Chairman of the Board:

- Juan José Brugera Clavero

Directors:

- Angels Arderiu Ibars
- Jacques Calvet
- Anne-Marie de Chalambert
- Jean-Jacques Duchamp
- Chantal du Rivau
- Carlos Fernandez-Lerga Garralda
- Carmina Gañet Cirera
- Carlos Krohmer
- Luis Maluquer Trepat
- Pere Viñolas Serra
- Anthony Wyand
- Reig Capital Group Luxembourg, represented by Carlos Enseñat Reig

The financial statements for the six months ended 30 June 2015 were approved by the Board of Directors of SFL at its meeting held on 22 July 2015.

These financial statements show a significant rise in both the operating indicators of SFL and the appraisal value of the portfolio.

Consolidated data (in millions of euros)

	30/06/2015	30/06/2014
Rental income	81.4	73.8
Operating profit before disposals and fair value adjustments	61.5	58.9
Attributable net profit	205.6	139.5
Underlying attributable profit (EPRA earnings)	27.6	26.3

	30/06/2015	31/12/2014
Attributable equity	2,471	2,325
Consolidated portfolio value excluding transfer costs	4,833	4,466
Consolidated portfolio value including transfer costs	5,088	4,703
EPRA NNNAV	2,459	2,297
EPRA NNNAV per share	€52.9	€49.4

Results

Consolidated data have been prepared in accordance with IFRS, using the fair value model to measure investment properties.

- Rental income stood at €81.4 million on 30 June 2015, compared to €73.8 million on 30 June 2014, an increase of €7.5 million (up 10.2%).

  - On a comparable portfolio basis, rents increased by €3.8 million (up 5.7%), mainly due to new leases signed during 2014.
  - Properties undergoing redevelopment accounted for a reduction in revenue of €0.7 million compared to the first half of 2014.
  - Finally, the acquisition of the Condorcet building in December 2014 generated a €4.4 million increase in rental income over the first half.

- Property expenses net of recoveries stood at €9.4 million in the first half of 2015 compared with €4.8 million in the year-earlier period (taking into account the impact of applying IFRIC 21 as of 1 January 2014 on a proforma basis, this item would have amounted to €6.7 million in the first six months of 2014).

- Other income represented €0.9 million in first-half 2015, versus €0.4 million in the same period of 2014.

- Employee benefits expense and other expenses totalled €10.6 million in first-half 2015, up from €9.9 million in first-half 2014.

- Operating profit before disposals and fair value adjustments rose 4.4% to €61.5 million on 30 June 2015 versus €58.9 million on 30 June 2014. Applying IFRIC 21 on a proforma basis from 1 January 2014, the increase of this indicator over the first half of 2015 is 8.2%.

- The portfolio's appraisal value on 30 June 2015 rose by 6.8% on a comparable portfolio basis relative to the value on 31 December 2014. The increase led to the recognition of positive fair value adjustments to investment properties of €217.3 million on 30 June 2015, versus €150.1 million on 30 June 2014.

- Further to the sale in July 2014 of the interest in the SIIC de Paris group, SFL no longer has any associates. In the six months ended 30 June 2014, associates represented a €2.2 million net loss.

- Net finance costs amounted to €27.9 million on 30 June 2015, compared with €32.3 million on 30 June 2014. Fair value adjustments to financial instruments generated a net expense of €3.8 million on 30 June 2015 versus €4.6 million on 30 June 2014. Recurring finance costs fell by €3.9 million over the first half as an increase in the volume of debt was more than offset by a reduction in its average cost.

- After taking into account these key items, the Group reported attributable net profit for the period of €205.6 million, compared with €139.5 million on 30 June 2014. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, underlying attributable net profit (EPRA earnings) rose by 5.0% to €27.6 million for the first half of 2015 compared with €26.3 million on 30 June 2014. Applying IFRIC 21 on a proforma basis from 1 January 2014, the increase in EPRA earnings over the first half of 2015 is €3.1 million (up 12.8%).

First-half 2015 Business Review

<u>Rental operations</u>
In a rental market that remains difficult and with volumes in the Greater Paris region down by 22% relative to 2014, SFL successfully leased more than 66,000 sq.m. of space in the first half of 2015. The main components of this excellent result are:

- In/Out (Boulogne): entirely leased to the OECD (35,000 sq.m.)
- #cloud.paris: 10,800 sq.m. pre-leased to Exane
- 131 Wagram: new 12-year fixed-term lease with TV5 Monde (7,500 sq.m.)
- Le Vaisseau (Issy-les-Moulineaux): 100% pre-leased to Révolution 9 (6,300 sq.m.)

These office leases have an average nominal rent of €511 per sq.m., corresponding to an effective rent of €395 per sq.m.

The physical occupancy rate for revenue-generating properties was 86.0% on 30 June 2015 and 96.6% when the lease signed with the OECD (which will take effect on 1 September 2015) is taken into account, compared to 87.1% on 31 December 2014.

Development operations

Capitalised work carried out in the first half of 2015 totalled €71.1 million and mainly related to redevelopment works at #cloud.paris that will be delivered in November 2015 and at 90 Champs-Elysées that were delivered and leased as scheduled on 31 March 2015. The development pipeline totals around 55,000 sq.m., comprising mainly the #cloud.paris building mentioned above, the Le Vaisseau building (Issy-les-Moulineaux) which is pre-leased and will be delivered at the start of 2016, and the additional surfaces in the Louvre Saint-Honoré building.

Portfolio operations

On 30 June 2015, SFL acquired a 6,700 sq.m. office building located at 9 avenue Percier in Paris for €68 million including transfer costs. This very high quality asset offers potential to create value through the optimisation of its rental situation (see press release of 30 June 2015).

No properties were divested during the first half of 2015.

Financing

Net debt at 30 June 2015 amounted to €1,751 million, compared to €1,572 million at 31 December 2014, representing a loan-to-value ratio of 34.4%. At that date, SFL also had €490 million in undrawn back-up lines of credit. At 30 June 2015, the average cost of debt after hedging was 2.7% and the average maturity was 3.6 years.

In June 2015, SFL signed with Banco Sabadell for a new 5-year revolving credit facility of €50 million.

In July 2015, SFL renegotiated its syndicated revolving credit facility of €400 million as well as the credit line of its subsidiary Parholding (€208 million). As a result of these renegotiations, the average maturity of its debt is now 4.3 years and the average cost is 2.6%.

Net Asset Value

The consolidated market value of the portfolio at 30 June 2015 was €4,833 million excluding transfer costs, an increase of 8.2% relative to 31 December 2014 (€4,466 million) and of 6.8% on a comparable portfolio basis.

The portfolio is composed of 20 prestigious properties, principally prime office properties in the heart of Paris (94%) and the most attractive parts of the Western Crescent (6%).

The average rental yield stood at 4.4% at 30 June 2015 compared with 4.8% at 31 December 2014.

EPRA NNNAV stood at €2,459 million or €52.9 per share at 30 June 2015 compared with €49.4 per share at 31 December 2014, an increase of 7.1%.

RISK FACTORS

The risk factors described below are those which could have a material adverse effect on SFL, its business, financial position, results or share price and which are important to take into account when making investment decisions.
Risk factors are discussed on **pages 22 to 28** of the **2014 Financial and Legal Report** contained in the **2014 Annual Report** filed with the Autorité des marchés financiers (AMF) on 8 April 2015.
The information in the 2014 Annual Report is incorporated here by reference, with further detail provided where necessary to describe material changes in these risk factors.

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

1. Liquidity risk

Liquidity risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2015) on page 36 of this document (see Note VI-28 "Financial instruments").

2. Counterparty risk

Counterparty risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2015) on page 37 of this document (see Note VI-28 "Financial instruments").

3. Currency risk

SFL had no exposure to currency risks at 30 June 2015.

4. Interest rate risk

Interest rate risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2015) on pages 37 and 38 of this document (see Note VI-28 "Financial instruments").

a - Objectives and strategy

Risk management objectives and strategy are discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2015) on page 37 of this document (see Note VI-28 "Financial instruments").

b - Risk assessment

Risk measurement is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2015) on pages 37 and 38 of this document (see Note VI-28 "Financial instruments").

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

These risks are discussed on page 23 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

6. Risks associated with a highly competitive environment

These risks are discussed on page 24 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

7. Tenant risks

These risks are discussed on page 24 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

8. Risks associated with the availability and cost of financing

These risks are discussed on page 24 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

9. Risks associated with the loss of key personnel

These risks are discussed on page 25 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

10. Risks associated with subcontractors and other service providers

These risks are discussed on page 25 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

11. Risks associated with the regulatory environment

These risks are discussed on page 25 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

12. Risks associated with government-related procedures

These risks are discussed on page 26 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

13. Risks of neighbourhood complaints

These risks are discussed on page 26 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

14. Risks associated with the majority shareholder

These risks are discussed on page 26 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

15. Risks associated with the SIIC tax regime

These risks are discussed on pages 26 to 28 of the 2014 Financial and Legal Report contained in the 2014 Annual Report.

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

RELATED-PARTY TRANSACTIONS

Related party transactions are discussed in the Notes to the Interim Consolidated Financial Statements on page 42 of this document, in section VI-36 ("Related-party information").

SOCIÉTÉ FONCIÈRE LYONNAISE

SIX MONTHS ENDED 30 JUNE 2015

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A – Consolidated Statement of Financial Position
B – Consolidated Statement of Comprehensive Income
C – Consolidated Statement of Changes in Equity
D – Consolidated Statement of Cash Flows
E – Notes to the Interim Consolidated Financial Statements
- I - Accounting Policies
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- III - Segment Information
- IV - Significant Events of the Period
- V - Scope of Consolidation
- VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The interim consolidated financial statements were approved for publication by the Board of Directors on 22 July 2015.

1. A – Consolidated Statement of Financial Position

(in thousands of euros) **ASSETS**	Notes Section E	30 June 2015	31 Dec. 2014
Intangible assets	VI-1	2,572	2,277
Property and equipment	VI-2	22,476	22,695
Investment properties	VI-3	4,752,879	4,392,767
Investments in associates	VI-4	-	-
Non-current financial assets	VI-5	720	716
Other non-current assets	VI-6	2,960	6,713
Total non-current assets		**4,781,607**	**4,425,168**
Investment properties held for sale	VI-7	-	-
Inventories and work in progress		-	-
Trade and other receivables	VI-8	78,941	67,610
Other current assets	VI-9	3,998	1,310
Cash and cash equivalents	VI-10	16,992	17,091
Total current assets		**99,931**	**86,011**
Total assets		**4,881,538**	**4,511,179**

(in thousands of euros) **EQUITY AND LIABILITIES**	Notes Section E	30 June 2015	31 Dec. 2014
Share capital		93,058	93,058
Reserves		2,172,163	2,034,009
Profit for the period		205,569	197,737
Equity attributable to owners of the parent		**2,470,790**	**2,324,803**
Non-controlling interests		287,819	268,571
Total non-controlling interests		**287,819**	**268,571**
Total equity	**VI-11**	**2,758,609**	**2,593,374**
Long-term borrowings and derivative instruments	VI-12	1,428,564	1,592,412
Long-term provisions	VI-13	1,083	1,112
Deferred tax liabilities	VI-14	175,967	156,174
Accrued taxes	VI-15	2,806	5,596
Other non-current liabilities	VI-16	15,230	15,489
Total non-current liabilities		**1,623,649**	**1,770,783**
Trade and other payables	VI-17	41,612	40,147
Short-term borrowings and other interest-bearing debt	VI-12	422,769	69,785
Short-term provisions	VI-13	525	442
Other current liabilities	VI-18	34,374	36,647
Total current liabilities		**499,280**	**147,021**
Total equity and liabilities		**4,881,538**	**4,511,179**

2. B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2015	First-half 2014
Property rentals		81,350	73,830
Property expenses, net of recoveries		(9,417)	(4,761)
Net property rentals	**VI-19**	**71,933**	**69,069**
Other income	VI-20	854	390
Depreciation and amortisation expense	VI-21	(527)	(491)
Provision expense, net	VI-22	(209)	(194)
Employee benefits expense	VI-23	(6,749)	(6,177)
Other expenses	VI-24	(3,809)	(3,689)
Profit on disposal of other assets		9	-
Loss on disposal of investment properties		-	(10)
Fair value adjustments on investment properties	VI-25	217,347	150,094
Operating profit		**278,849**	**208,992**
Share of losses of associates	VI-26	-	(2,176)
Finance costs and other financial expenses	VI-27	(27,603)	(31,093)
Financial income	VI-27	3,638	3,546
Fair value adjustments on financial instruments	VI-28	(3,838)	(4,570)
Discounting adjustments to receivables and payables		(134)	(162)
Provision expense, net - financial assets	VI-29	-	-
Profit before income tax		**250,912**	**174,537**
Income tax expense	VI-30	(22,285)	(14,988)
Profit for the period		**228,627**	**159,549**
Attributable to owners of the parent		**205,569**	**139,486**
Attributable to non-controlling interests	VI-31	**23,059**	**20,063**

Other comprehensive income			
Actuarial gains and losses	VI-13	95	(147)
Deferred tax effect			
Items in the accounts of associates that will not be reclassified to profit or loss			
Items that will not be reclassified to profit or loss		***95***	***(147)***
Valuation gains and losses on financial instruments (cash flow hedges)	VI-28	4,424	1,682
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	VI-30	(104)	1,110
Items in the accounts of associates that may be reclassified subsequently to profit or loss	VI-4	-	1,980
Items that may be reclassified subsequently to profit or loss		4,319	4,772
Other comprehensive income		**4,414**	**4,625**
Comprehensive income		**233,041**	**164,174**
Attributable to owners of the parent		**209,883**	**145,169**
Attributable to non-controlling interests		23,158	19,006
Earnings per share	VI-32	€4.45	€3.02

3. C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2013	**93,058**	**924,183**	**22,621**	**(18,234)**	**(12,795)**	**1,058,605**	**147,259**	**2,214,695**	**230,871**
Movements for the period									
Profit for the period	-	-	-	-	-	-	139,486	139,486	20,064
Other comprehensive income, net of tax	-	-	-	-	5,829	(147)	-	5,681	(1,057)
Comprehensive income	**-**	**-**	**-**	**-**	**5,829**	**(147)**	**139,486**	**145,167**	**19,007**
Appropriation of profit	-	44,549	-	-	-	102,710	(147,259)	-	-
Treasury share transactions	-	-	-	1,085	-	-	-	1,085	-
Gains and losses on sales of treasury shares	-	-	-	(1,023)	-	-	-	(1,023)	-
Share-based payments	-	-	-	-	-	287	-	287	-
Dividends paid to owners of the parent	-	(96,795)	-	-	-	32,254	-	(64,541)	(3,483)
Equity At 30 June 2014	**93,058**	**871,936**	**22,621**	**(18,172)**	**(6,967)**	**1,193,708**	**139,486**	**2,295,671**	**246,395**
Movements for the period									
Profit for the period	-	-	-	-	-	-	58,251	58,251	22,428
Other comprehensive income, net of tax	-	-	-	-	3,869	(297)	-	3,572	(252)
Comprehensive income	**-**	**-**	**-**	**-**	**3,869**	**(297)**	**58,251**	**61,823**	**22,176**
Appropriation of profit	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	(382)	-	-	-	(382)	-
Gains and losses on sales of treasury shares	-	-	-	36	-	-	-	36	-
Share-based payments	-	-	-	-	-	156	-	156	-
Dividends paid to owners of the parent	-	(32,268)	-	-	-	-	-	(32,269)	-
Changes in scope of consolidation	-	-	-	-	-	(232)	-	(232)	-
Equity at 31 December 2014	**93,058**	**839,668**	**22,621**	**(18,517)**	**(3,097)**	**1,193,334**	**197,737**	**2,324,803**	**268,571**
Movements for the period									
Profit for the period	-	-	-	-	-	-	205,569	205,569	23,059
Other comprehensive income, net of tax	-	-	-	-	4,220	95	-	4,315	99
Comprehensive income	**-**	**-**	**-**	**-**	**4,220**	**95**	**205,569**	**209,883**	**23,159**
Appropriation of profit	-	31,875	-	-	-	165,862	(197,737)	-	-
Treasury share transactions	-	-	-	1,865	-	-	-	1,865	-
Gains and losses on sales of treasury shares	-	-	-	(1,761)	-	-	-	(1,761)	-
Share-based payments	-	-	-	-	-	886	-	886	-
Dividends paid to owners of the parent	-	(64,624)	-	-	-	-	-	(64,624)	(3,910)
Other adjustments	-	-	-	-	-	(262)	-	(262)	-
Equity At 30 June 2015	**93,058**	**806,919**	**22,621**	**(18,414)**	**1,123**	**1,359,914**	**205,569**	**2,470,790**	**287,819**

4. D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2015	First-half 2014
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		205,569	139,486
Fair value adjustments on investment properties	VI-25	(217,347)	(150,094)
Depreciation and amortisation expense (excluding impairment)	VI-21	527	491
Net additions to/(reversals of) provisions		148	298
Net (gains)/losses from disposals of assets, after tax		(9)	10
Discounting adjustments and valuation (gains)/losses on financial instruments		3,972	4,731
Deferral of rent-free periods	VI-19	(6,627)	(8,606)
Employee benefits	VI-23	886	287
Share of losses of associates	VI-4	0	2,176
Non-controlling interests in profit for the period	VI-31	23,059	20,064
Other movements		-	-
Cash flow after finance costs and income tax		**10,178**	**8,843**
Finance costs	VI-27	23,965	27,548
Income tax	VI-30	22,285	14,987
Cash flow before finance costs and income tax		**56,427**	**51,377**
Change in working capital		(512)	4,149
Dividends received from associates	VI-4	0	2,937
Interest paid		(21,074)	(31,346)
Interest received		59	106
Income tax paid		(8,294)	(3,619)
Net cash provided by operating activities		**26,605**	**23,605**
Cash flows from investing activities			
Acquisitions of and improvements to investment properties		(140,365)	(46,848)
Acquisitions of intangible assets and property and equipment		(1,046)	361
Acquisitions of subsidiaries, net of the cash acquired	VI-35	-	-
Proceeds from disposals of investment properties, intangible assets and property and equipment	VI-35	11	12
Proceeds from disposals of subsidiaries, net of the cash sold	VI-35	-	-
Other cash inflows and outflows		(4)	(26)
Net cash used by investing activities		**(141,404)**	**(46,501)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		-	-
Purchases and sales of treasury shares, net		104	63
Dividends paid to owners of the parent	VI-33	(64,624)	(64,541)
Dividends paid to non-controlling interests		(3,910)	(2,581)
Proceeds from new borrowings		175,046	312,609
Repayments of borrowings		(3,784)	(217,592)
Other movements in financing items		-	-
Net cash provided by financing activities		**102,833**	**27,957**
Net change in cash and cash equivalents		**(11,965)**	**5,061**
Cash and cash equivalents at beginning of period		(9,270)	(1,544)
Cash and cash equivalents at end of period		(21,235)	3,517
Net change in cash and cash equivalents		**(11,965)**	**5,061**

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

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5. E – Notes to the Interim Consolidated Financial Statements

I - Accounting Policies

I - 1) Accounting standards

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

The following new standards and interpretations were applicable as from 1 January 2015:

- Annual Improvements to IFRSs: 2011-2013 cycle (including improvements to IFRS 1 – First-time Adoption of International Financial Reporting Standards, IFRS 13 – Fair Value Measurement, IAS 40 – Investment Property, and IFRS 3 – Business Combinations). The application of these improvements does not have a material impact on the consolidated financial statements.
- Annual Improvements to IFRSs: 2010-2012 cycle (including improvements to IFRS 2 – Share-based Payment, IFRS 3 – Business Combinations, IFRS 8 – Operating Segments, IFRS 13 – Fair Value Measurement, IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets, and IAS 24 – Related Party Disclosures). The application of these improvements does not have a material impact on the consolidated financial statements.

The first-time application of IFRIC 21 – Levies from 1 January 2015 represents a change in accounting policy for the Group. Under IFRIC 21, a liability must be recognised when the obligating event occurs (and not based on the tax base for the levy concerned). The impact of the application of IFRIC 21 on profit for the first half of 2015 is described in Note VI-19. This new interpretation is not expected to have a material impact on the full-year financial statements.

I - 2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.
The Group has chosen to measure investment properties using the fair value model (see Note II-3).

I - 3) Basis of consolidation

The consolidated financial statements 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 SFL exercises exclusive control, pursuant to the terms of a shareholders' pact, through ownership of the majority of voting rights or otherwise, are fully consolidated.

I - 4) Joint ventures

Joint ventures are accounted for by the equity method. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

After taking control of Parholding and its subsidiaries on 31 December 2012 and following the signature of a new shareholders' pact, SFL no longer has any interests in joint ventures.

I - 5) Investments in associates

Associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes its share of the associate's profit.

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

I - 6) Business combinations

In accordance with IFRS 3R, the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative expenses and other expenses not included in the cost of the business combination are recognised as an expense when incurred.

The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

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

I - 7) Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. Transactions in foreign currency are initially recognised in the functional currency by applying the exchange rate on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the closing rate. Translation differences are recognised in the statement of comprehensive income.
SFL does not have any foreign currency transactions.

I - 8) Income tax expense

The results of businesses subject to income tax are taxed at the standard rate.

For businesses subject to income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

II - Measurement Methods

II - 1) Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
They are amortised by the straight-line method over five years.

II - 2) Property and equipment

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.

Shell	50 to 125 years
Roof, windows, doors	14 to 31 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

If the fair value of an asset is less than its carrying amount, an impairment loss is recognised.

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.

II - 3) Investment properties

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.

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

The market value of the Group's investment property is determined based on valuations performed by independent experts.
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 properties 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 on investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

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

Valuation method

SFL's entire property portfolio was valued at 30 June 2015 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.
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."

SFL's portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio, as follows (the percentages below are determined on the basis of the Group's share of the total value of the properties, excluding transfer costs):
- CBRE: 32%
- Jones Lang LaSalle: 28%
- BNP Paribas Real Estate: 41%

The firms ensure that their internal teams are rotated as required, and concurring appraisals are organised every six months on a portion of the assets in the portfolio. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

The properties are valued primarily by the discounted cash flows method, which consists of discounting projected future cash flows. Assumptions concerning future revenue flows take into account passing rents, estimated market rents for the period beyond the lease expiry dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC), office rent index (ILAT) and retail rent index (ILC). Each property was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.
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.
The appraisal values are quoted both including transfer costs (calculated on the basis of a standard rate of 6.2% or 6.9% for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs and acquisition expenses.

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.

II - 4) Gains and losses arising from remeasurement of investment properties at fair value

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 properties (see Note II-3) takes into account this definition of fair value.

In IFRS 13, fair value measurements are categorised into a three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: 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 SFL's investment properties, the most meaningful inputs, particularly market rents, investment yields and/or discount rates, represent Level 3 inputs.

Some buildings could not be valued according to their highest and best use, including: Louvre Saint-Honoré, 75001 Paris: layout changes could lead to an upward revaluation of the retail area of the Louvre des Antiquaires/Louvre des Entreprises complex, but these plans are not yet firm enough to be taken into account in fair value measurements.

II - 5) Recoverable amount of non-current assets

IAS 36 – Impairment of Assets defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.
IAS 36 applies to intangible assets, property and equipment, investments in associates, other financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

At each period-end, the Group assesses whether there is any indication that any assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.
Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.
The appraisals referred to above serve to identify any impairments of properties or shares in property companies.

II - 6) Borrowing costs

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

II - 7) Investment properties held for sale

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

In practice, investment properties are reclassified as held for sale when their sale has been decided by the Board of Directors or a selling agent has been appointed. They continue to be measured at fair value after reclassification.

At 30 June 2015, no investment properties were classified as held for sale.

II - 8) Financial instruments (other than derivatives)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognised at fair value.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Marketable securities held by the Group are measured at fair value at the period-end.

II - 9) Rental receivables

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are recognised on a case-by-case basis for the difference between the receivables' carrying amount and recoverable amount.

II - 10) Cash and cash equivalents

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

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.
Cash equivalents are measured at fair value, in accordance with IAS 39.

II - 11) Assets held for sale

In accordance with IFRS 5, non-current assets and disposal groups are classified as "held for sale" when their carrying amount will be recovered principally through a sale transaction rather than through continuing use and their sale is highly probable. Assets and disposal groups classified as held for sale are presented separately from other assets or groups of assets and liabilities when their amount is material and are measured at the lower of their carrying amount and fair value less costs to sell.
At 30 June 2015, no assets or groups of assets and liabilities were classified as held for sale.

II - 12) Interest-bearing loans and borrowings

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.

II - 13) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted.
This applies to the exit tax payable in four annual instalments following election for SIIC status.
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".

II - 14) Provisions

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.
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.

II - 15) Employee benefits

Employee benefits consist mainly of length-of-service awards payable to employees on retirement.
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.

II - 16) Treasury shares

Treasury shares are recorded as a deduction from equity.

II - 17) Share-based payments (IFRS 2)

Stock options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over their vesting period.

II - 18) Finance leases

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is recognised directly in finance costs.
Investment properties acquired under finance leases are measured at fair value at each period-end.

II - 19) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates. These instruments are measured at fair value at each period-end.
Financial instruments are measured using standard market valuation methods, taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.
For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.
For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.
For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised in profit.
Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument recognised directly in equity is reclassified into profit when the forecast transaction occurs. If the forecast transaction is no longer highly probable, any related gain or loss on the hedging instrument recognised directly in equity is reclassified into profit over the period until the date when the forecast transaction was originally expected to occur.

II - 20) Accrued taxes

In accordance with IFRIC 21 – Levies, which is applicable for accounting periods beginning on or after 1 January 2015, levies that are not recoverable from tenants are recognised when they are due.

II - 21) Revenue

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 revenue recognition criteria applied by the Group are as follows:

Property rentals
Property rentals from investment properties are recognised on a straight-line basis over the lease term.

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.

II - 22) Other revenue sources

Asset sales
Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income
Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Dividends are recognised when the Group's right to receive payment is established.

II - 23) 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 (see Note II-3).

All of the Group's financial instruments are measured using standard market valuation models (see Note II-19).

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 according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Headquarters	Total
Property rentals	65,361	1,844	14,146	-	81,350
Property expenses, net of recoveries	(5,985)	(1,338)	(2,094)	-	(9,417)
Net property rentals	**59,376**	**506**	**12,052**	**-**	**71,933**
Service and other revenues	-	-	-	-	-
Other income	142	141	32	539	854
Depreciation and amortisation expense	(240)	-	-	(287)	(527)
Provision (expense)/reversals, net	(147)	-	3	(65)	(209)
Employee benefits expense	-	-	-	(6,749)	(6,749)
Other expenses	-	-	-	(3,809)	(3,809)
Profit on disposal of other assets	-	-	-	9	9
Profit on disposal of investment properties	-	-	-	-	-
Fair value adjustments on investment properties	166,429	17,550	33,367	-	217,347
Operating profit	**225,561**	**18,196**	**45,454**	**(10,361)**	**278,850**
Share of profits and losses of associates	-	-	-	-	0
Finance costs and other financial expenses	-	-	-	(27,603)	(27,603)
Financial income	-	-	-	3,638	3,638
Fair value adjustments on financial instruments	-	-	-	(3,838)	(3,838)
Discounting adjustments to receivables and payables	-	-	-	(134)	(134)
Change in provisions for financial assets, net	-	-	-	-	-
Profit before income tax	**225,561**	**18,196**	**45,454**	**(38,298)**	**250,913**
Income tax expense	(22,282)	-	-	(3)	(22,285)
Profit for the period	**203,279**	**18,196**	**45,454**	**(38,301)**	**228,628**
Attributable to owners of the parent	**178,553**	**18,196**	**45,454**	**(36,634)**	**205,569**
Attributable to non-controlling interests	**24,726**	**-**	**-**	**(1,667)**	**23,059**
Other comprehensive income					
Actuarial gains and losses	-	-	-	95	95
Deferred tax effect	-	-	-	-	-
Items in the accounts of associates that will not be reclassified to profit or loss	-	-	-	-	-
Items that will not be reclassified to profit or loss	**-**	**-**	**-**	***95***	***95***
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	4,424	4,424
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	-	-	-	(104)	(104)
Items in the accounts of associates that may be reclassified subsequently to profit or loss	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss	**-**	**-**	**-**	***4,319***	***4,319***
Other comprehensive income	**-**	**-**	**-**	**4,414**	**4,414**
Comprehensive income	**203,279**	**18,196**	**45,454**	**(33,888)**	**233,041**
Attributable to owners of the parent	**178,553**	**18,196**	**45,454**	**(32,319)**	**209,883**
Attributable to non-controlling interests	24,726	-	-	(1,568)	23,158

(in thousands of euros)	**Paris Central Business District**	**Western Crescent**	**Other**	**Headquarters**	**Total**
Segment assets	3,786,430	331,447	660,317	2,572	4,780,766
Unallocated assets	-	-	-	100,772	100,772
Total assets	**3,786,430**	**331,447**	**660,317**	**103,344**	**4,881,538**

Segment assets correspond to the Group's property assets.

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

The Group's main geographical segments are as follows:

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

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

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

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

IV - Significant Events of the Year

IV - 1) Construction and renovation programmes

The remodelling of the #cloud.paris property at 81-83 rue de Richelieu launched in the second half of 2012 continued on schedule, with delivery still planned for the second half of 2015. In the first half of 2015, almost 11,000 sq.m. (out of a total of some 33.000 sq.m.) were pre-leased to the Exane group.

The building at 90 Champs-Elysées was delivered as expected on 31 March 2015 to its principal tenant – an international consulting firm – after several months of renovation work.

Following the departure of the tenant at the end of March 2015, SFL has begun renovation works at the “Le Vaisseau” building in Issy-les Moulineaux and signed a lease for the entire building (more than 6,000 sq.m.) with Révolution 9. The lease will take effect at the start of 2016 following the completion of the renovation work.

On 29 June 2015, SFL signed a lease with the Organisation for Economic Co-operation and Development (OECD) for the whole IN/OUT building (almost 35,000 sq.m.) located in Boulogne-Billancourt, which has been entirely renovated. The 12-year, fixed-term lease will take effect on 1 September 2015.

On 30 June 2015, SFL acquired a building located at 9 avenue Percier in the 8th *arrondissement* of Paris from Eurosic, at a price of €68 million including transfer costs. This near-7,000-sq.m. building is principally leased to the EDF Foundation (31%).

IV - 2) Financing

In June 2015, SFL set up a new five-year, €50-million revolving credit facility with Banco Sabadell.

IV - 3) Governance

On 27 January 2015, SFL's Board of Directors appointed Nicolas Reynaud as Chief Executive Officer. Dimitri Boulte, formerly Chief Operating Offer, was appointed Managing Director.

IV - 4) Tax audits

Following a tax audit covering the years 2010 to 2012, the tax authorities notified SFL in 2014 of a proposed €2 million reassessment of the tax base that would reduce tax loss carryforwards by the same amount.

The reassessment – which concerns the allocation of expenses between SIIC activities and activities subject to corporate income tax – continues to be challenged by SFL. It had no impact on the consolidated financial statements, because no deferred tax asset had been recognised for the tax loss carryforwards concerned.

IV - 5) Subsequent events

On 2 July 2015, Standard & Poor’s raised SFL's long- and short-term credit ratings from BBB-/A3 to BBB/A2 with a stable outlook. S&P noted that the leasing of the IN/OUT building, which follows other recent positive letting performances including the pre-leasing of a portion of #cloud.paris, has improved SFL’s financial risk profile.

In July 2015, SFL pressed ahead with refinancing transactions with the aim of lowering its interest expense and extending the average maturity of its debt. This included the renegotiation in advance of term of (i) a portion of the €400 million syndicated credit facility signed in 2013, extending the maturity from July 2018 to July 2020, and (ii) borrowings with the Parholding sub-group set up in September 2012, extending the maturity from September 2017 to July 2022.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage Interest	Percentage 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 SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100
SCI Paul Cézanne	438 339 327	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

Under the terms of a shareholders' pact, SFL has exclusive control over four subsidiaries that are 50%-owned by the Group.
As a consequence, since the July 2014 sale of the Group's interest in SIIC de Paris, SFL has exclusive control over all its subsidiaries, all fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 53.1% of the capital at 30 June 2015.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below.

VI - 1) Intangible assets

(in thousands of euros)	31 Dec. 2014	Increases	Decreases	Reclassifications	30 June 2015
Cost					
Computer software	4,811	-	-	3	4,815
Other	1,507	752	-	(327)	1,932
Accumulated depreciation					
Computer software	(4,041)	(134)	-	-	(4,175)
Other	-	-	-	-	-
Carrying amount	**2,277**	618	-	(324)	**2,572**

VI - 2) Property and equipment

(in thousands of euros)	31 Dec. 2014	Increases	Decreases	Reclassifications	30 June 2015
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other	4,498	114	(4)	61	4,670
Accumulated depreciation					
Owner-occupied property	(1,540)	(209)	-	-	(1,749)
Other	(1,500)	(184)	3	-	(1,682)
Carrying amount	**22,695**	**(279)**	**(1)**	**61**	**22,476**

The appraisal value of owner-occupied property – corresponding to the Company's headquarters – was €30,598 thousand at 30 June 2015 and €29,345 thousand at 31 December 2014.

VI - 3) Investment properties

(in thousands of euros)	31 Dec. 2014	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	Changes in scope of consolidation	30 June 2015
Fair value								
Investment properties	4,392,767	142,704	220,994	-	(3,647)	-	62	4,752,879
Total	**4,392,767**	**142,704**	**220,994**	**-**	**(3,647)**	**-**	**62**	**4,752,879**

(in thousands of euros)	30 June 2015	31 Dec. 2014
Appraisal value of investment properties	4,802,062	4,436,381
Adjustments to reflect specific lease terms	(49,183)	(43,614)
Fair value of investment properties in the statement of financial position	**4,752,879**	**4,392,767**

Investment properties are valued by independent experts at half-yearly intervals. The valuations are based on unobservable inputs categorised as Level 3 in the fair value hierarchy defined in IFRS 13. Given the nature of SFL's business, the characteristics of its properties and the associated risks, asset classes are based on geographical location.

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

Geographic area	Value excluding transfer costs 30 June 2015 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	3,833	Market rent for offices Exit yield Discount rate	€500-€810 4.15%-4.75% 5.00%-6.25%	€667 4.22% 5.26%
Other Paris	668	Market rent for offices Exit yield Discount rate	€475-€679 4.25%-5.00% 5.00%-5.50%	€564 4.61% 5.24%
Western Crescent	332	Market rent for offices Exit yield Discount rate	€300 - €437 5.50%-5.75% 5.50%-6.25%	€438 5.52% 5.65%
TOTAL	**4,833**			

[1] *Offices*

A 0.25% increase in exit yields would lead to a €208,570 thousand decrease in appraisal values; a 0.25% decrease in exit yields would lead to a €172,560 thousand increase in appraisal values.

VI - 4) Investments in associates

Since the sale of its stake in the SIIC de Paris group on 23 July 2014, SFL no longer has any interests in associates.

VI - 5) Financial assets

(in thousands of euros)	31 Dec. 2014	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	30 June 2015
Investments in non-consolidated companies	1,071	-	-	-	-	1,071
Provisions for impairment	(1,071)	-	-	-	-	(1,071)
Investments in non-consolidated companies, net	-	**-**	**-**	**-**	**-**	**-**
Deposits	716	4				720
Hedging instruments	-					
Total	**716**	**4**	**-**	**-**	**-**	**720**

Provisions for impairment of investments in non-consolidated companies concern shares in Groupe Vendôme Rome, which have been written down in full since 31 December 2010.

VI - 6) Other non-current assets

(in thousands of euros)	30 June 2015	31 Dec. 2014
Deferred tax assets	3	6
Other receivables	98	126
Prepayments	2,859	6,580
Total	**2,960**	**6,713**

Deferred tax assets are analysed in Note VI-30.
Prepayments correspond mainly to advances paid on long-term contracts for building restructuring work.

VI - 7) Investment properties held for sale

No properties were classified as held for sale at 30 June 2015.

VI - 8) Trade and other receivables

(in thousands of euros)	30 June 2015 Total	Due within 1 year	Due in more than 1 year	31 Dec. 2014
Trade receivables	60,123	16,754	43,369	53,477
Provisions	(1,686)	-	(1,686)	(1,677)
Trade receivables	**58,438**	**16,754**	**41,684**	**51,800**
Prepayments to suppliers	23	23	-	36
Employee advances	82	82	-	42
Tax receivables (other than income tax)	16,772	16,772	-	13,628
Other operating receivables	3,395	3,395	-	1,958
Other receivables	231	231	-	146
Other receivables	**20,503**	**20,503**	**-**	**15,810**
Total	**78,941**	**37,257**	**41,684**	**67,610**

Receivables include €49,183 thousand (of which €9,031 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.

Provisions for doubtful debts can be analysed as follows:

(in thousands of euros)	30 June 2015	31 Dec. 2014
Increases	(122)	(88)
Reversals of provisions	61	328
Bad debt write-offs, net of recoveries	(3)	(14)
Total	**(64)**	**227**
Property rentals	81,350	151,508
Net losses as a % of property rentals	**0.08%**	**-0.15%**

VI - 9) Other current assets

(in thousands of euros)	30 June 2015	31 Dec. 2014
Income tax prepayments	130	131
Other prepayments	3,868	1,179
Total	**3,998**	**1,310**

Prepayments correspond mainly to advances paid on short-term contracts for building restructuring work.

VI - 10) Cash and cash equivalents

(in thousands of euros)	30 June 2015	31 Dec. 2014
Cash at bank and in hand	4,819	3,800
Short-term investments	12,173	13,291
Total	**16,992**	**17,091**

Short-term investments are measured at fair value. They break down as follows:

(in thousands of euros)	30 June 2015	31 Dec. 2014
Rothschild money market fund	1,059	974
Société Générale money market fund	5,016	143
Crédit Agricole money market fund	3,561	3,066
Natixis money market fund	2,537	9,108
Total	**12,173**	**13,291**

VI - 11) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

(in thousands of euros)	31 Dec. 2014	Increases	Decreases	30 June 2015
Number of shares	426,695	34,026	(82,112)	378,609
Average purchase/sale price, in euros	€57.59	€42.12	€(40.16)	€59.98
Total	**24,572**	**1,433**	**(3,298)**	**22,708**

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.

VI - 12) Short and long-term interest-bearing debt

	Effective interest rate	Expiry date	Short-term portion		Long-term portion	
			30 June 2015	31 Dec. 2014	30 June 2015	31 Dec. 2014
Bonds						
€500 million 4.625% bond issue, 2011-2016	4.625%	25 May 2016	301,406	8,401	-	300,000
€500 million 3.50% bond issue, 2012-2017	3.50%	28 Nov. 2017	8,247	1,304	400,000	400,000
€500 million 1.875% bond issue, 2014-2021	1.875%	26 Nov. 2021	5,574	925	500,000	500,000
Bank loans						
Banco Sabadell	3-month Euribor + spread (end of drawdown period)	18 June 2020	8	-	50,000	-
2014 BPCE loan	3-month Euribor + spread (end of drawdown period)	29 Oct. 2019	122	-	60,000	-
BNP Paribas syndicated loan	3-month Euribor + spread (end of drawdown period)	4 July 2018		-		-
2014 BECM loan	1-month Euribor + spread (end of drawdown period)	23 April 2019	226	236	150,000	100,000
Cadif loan	1-month Euribor + spread (end of drawdown period)		40,001	30,001	-	-
Natixis – Deka – Deutsche Hypotheken loan	3-month Euribor + spread (calendar quarter end)	25 Sept. 2017	3,469	2,990	198,340	199,883
Lease liabilities:						
131, Wagram	3-month Euribor + spread (calendar quarter end)	14 June 2016	28,666	2,790	-	27,271
Hedging instruments with a negative fair value						
Natixis - Deka -Nord LB swaps	0.8825%	25 Sept. 2017	283	253	3,426	4,012
Bank overdrafts	Various		38,227	26,360	-	-
Current account advances	Various		151	153	73,926	70,016
Impact of deferred recognition of debt arranging fees			(3,611)	(3,628)	(7,128)	(8,770)
Total			**422,769**	**69,785**	**1,428,564**	**1,592,412**

The following table analyses borrowings by maturity:

(in thousands of euros)	30 June 2015	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2014
Bonds	1,215,227	315,227	400,000	500,000	1,210,630
2014 BPCE loan	60,122	122	60,000	-	-
Banco Sabadell 2015	50,008	8	50,000	-	-
BECM loan	150,226	226	150,000	-	100,236
Natixis-Deka-Deutsche Hypotheken loan	201,809	3,469	198,340	-	202,873
Lease financing	28,666	28,666	-	-	30,061
Cadif loan	40,002	40,001	-	-	30,001
Current account advances (liabilities)	74,077	151	73,926	-	70,169
Deferred debt arranging fees	(10,739)	(3,611)	(6,504)	(624)	(12,398)
Natixis - Deka - Nord LB swaps	3,709	283	3,426	-	4,265
Bank overdrafts	38,227	38,227	-	-	26,360
Total	**1,851,333**	**422,769**	**929,188**	**499,376**	**1,662,197**

At 30 June 2015, SFL had access to confirmed undrawn lines of credit representing €490 million compared with €600 million at 31 December 2014.
Current account advances correspond to Prédica's minority interest in SCI Washington and SAS Parholding.

Hedging instruments are presented at their fair value (including credit risk) plus accrued interest payable as of 30 June 2015.

Debt covenants and early repayment clauses

Credit facility	Applicable ratios	Actual ratios at 30 June 2015	Actual ratios at 31 Dec. 2014	Early repayment clauses
2014 BPCE loan	Loan-to-value (LTV) <= 50%	**34.4%**	**33.4%**	Loan default Cross default
	Interest cover >= 2x	**2.6**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	**4.5%**	**4.9%**	Breach of financial covenants Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	**€4.2bn**	**€3.9bn**	Material adverse event
BNP Paribas syndicated loan	LTV <= 50%	**34.4%**	**33.4%**	Loan default Cross default
	Interest cover >= 2x	**2.6**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	**4.5%**	**4.9%**	Breach of financial covenants Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	**€4.2bn**	**€3.9bn**	Material adverse event
2014 BECM loan	Loan-to-value (LTV) <= 50%	**34.4%**	**33.4%**	Loan default Cross default
	Interest cover >= 2x	**2.6**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <20%	**4.5%**	**4.9%**	Breach of financial covenants Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	**€4.2bn**	**€3.9bn**	Material adverse event
Banco Sabadell	Loan-to-value (LTV) <= 50%	**34.4%**	-	Loan default Termination of operations
	Interest cover >= 2x	**2.6**	-	Bankruptcy proceedings Breach of financial covenants
	Secured LTV <20%	**4.5%**	-	Material adverse event
	Unrestricted property portfolio value >= €2bn	**€4.2bn**	-	

The Group was not in breach of any of its financial covenants at 30 June 2015.

VI - 13) Short and long-term provisions

(in thousands of euros)	31 Dec. 2014	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	30 June 2015
Provisions for taxes other than on income	-	-	-	-	-	-
Provisions for employee benefits	1,112	65	-	-	(95)	1,083
Long-term provisions	**1,112**	**65**	**-**	**-**	**(95)**	**1,083**
Provisions for refurbishment work and tenant claims	118	83	-	-	-	201
Provisions for employee benefits	324	-	-	-	-	324
Short-term provisions	**442**	**83**	**-**	**-**	**-**	**525**
Total	**1,554**	**148**	**-**	**-**	**(95)**	**1,608**

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €1,083 thousand, breaking down as follows:

(in thousands of euros)	30 June 2015	31 Dec. 2014
Projected benefit obligation at 1 January	**1,112**	**582**
Benefits paid during the period	-	-
Service cost	55	37
Interest cost	10	49
Actuarial gains and losses	(95)	444
Long-term provisions	**1,083**	**1,112**

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including a discount rate of 1.56% (31 December 2014: 1.49%) and a 1.5% rate of future salary increases (31 December 2014: 2.00%). Actuarial gains and losses are recognised in equity.
A 0.20% reduction in the discount rate at 30 June 2015 would lead to a €19 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 25 and 30 years' service, and one month's salary to caretakers who complete 25 years' 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.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €13 thousand at 30 June 2015 and €41 thousand at 31 December 2014.

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.

VI - 14) Deferred taxes

See Note VI-30.

VI - 15) Accrued taxes

Due	2016	2017	Total
Amount payable	-	2,806	2,806

This item corresponds mainly to the exit tax due as a result of the exercise, in October 2013, of the finance lease purchase option on the Rives de Seine property. The €11.8 million tax liability is payable in four annual instalments between 2014 and 2017 and has been discounted.

VI - 16) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

VI - 17) Trade and other payables

(in thousands of euros)	30 June 2015	31 Dec. 2014
Trade payables	15,107	8,608
Amounts due within one year on asset acquisitions	26,504	31,539
Total	**41,612**	**40,147**

At 30 June 2015, amounts due within one year on asset acquisitions mainly concern the development of the #cloud.paris building at 81/83 rue de Richelieu.

VI - 18) Other current liabilities

Other current liabilities break down as follows:

(in thousands of euros)	30 June 2015	31 Dec. 2014
Deposits	1,712	1,515
Customer prepayments	12,305	14,310
Accrued payroll costs	3,823	4,765
Accrued taxes	8,426	8,228
Other liabilities	3,093	3,416
Accruals	5,015	4,411
Total	**34,374**	**36,647**

Accrued payroll costs include statutory and discretionary profit-sharing and bonus accruals.

Accrued taxes include the 2016 exit tax instalment related to the Rive de Seine building.

The application of IFRIC 21 led to the recognition of an additional tax liability in the amount of €1,693 thousand relating to levies that are not recoverable from tenants. This amount is being amortised over 12 months in the consolidated financial statements. Had this standard been applied to the 2014 consolidated financial statements, the impact would have amounted to €21 thousand.

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

VI - 19) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 98.6% of property rentals. Net property rentals take into account the net positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In first-half 2015, this impact was €6,627 thousand.
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**
Property rentals	1,031,202	175,988	529,984	325,230

(in thousands of euros)	30 June 2015	30 June 2014
Rental income	**81,350**	**73,830**
Property operating expenses	(22,792)	(18,202)
Property expenses recovered from tenants	13,375	13,440
Property expenses, net of recoveries	**(9,417)**	**(4,761)**
Net property rentals	**71,933**	**69,069**

Property operating expenses for the first half of 2015 included the impact of the application of IFRIC 21 on the recognition of full-year taxes for an amount of €1,605 thousand. Had this standard been applied to the first-half 2014 consolidated financial statements, the corresponding expense would have amounted to €1,960 thousand.

VI - 20) Other income

(in thousands of euros)	30 June 2015	30 June 2014
Own-work capitalised	516	570
Other income	338	(180)
Total	**854**	**390**

The caption "Other income" corresponds to work billed to third parties and redevelopment project management fees.

VI - 21) Depreciation and amortisation expense

(in thousands of euros)	30 June 2015	30 June 2014
Amortisation of intangible assets	(134)	(123)
Depreciation of property and equipment	(393)	(368)
Total	**(527)**	**(491)**

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

VI - 22) Provision reversals/(expense), net

(in thousands of euros)	30 June 2015	30 June 2014
Charges to provisions for impairment of current assets	(122)	(94)
Charges to provisions for operating contingencies and charges	(83)	(235)
Charges to provisions for other contingencies and charges	(65)	(91)
Total charges	**(270)**	**(420)**
Reversals of provisions for impairment of current assets	61	197
Reversals of provisions for operating contingencies and charges	-	15
Reversals of provisions for other contingencies and charges	-	14
Total reversals	**61**	**226**
Net	**(209)**	**(194)**

VI - 23) Employee benefits expense

(in thousands of euros)	30 June 2015	30 June 2014
Wages and salaries	(3,346)	(3,773)
Payroll taxes	(1,875)	(1,655)
Other employee benefits	(1,080)	(514)
Statutory and discretionary profit-sharing	(448)	(235)
Total	**(6,749)**	**(6,177)**

The Group had 72 administrative staff and 2 building staff at 30 June 2015, unchanged from 30 June 2014.

Details of performance share plans at 30 June 2015

	Plan no.1		**Plan no.3**
Date of shareholder authorisation	9 May 2011		22 April 2015
Grant date	5 March 2013	4 March 2014	17 June 2015
Expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	35,144	33,981	27,328
Number of performance share rights expected to vest	24,892	24,069	19,356
Fair value per share	€31.65	€31.48	€36.08
Rights cancelled/forfeited	(7,583)	(10,504)	-
Number of shares expected to vest at 30 June 2015	**17,309**	**13,565**	**19,356**

Main features of the plan

The plan's 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 six listed property companies based on growth in consolidated NAV per share.
- The vesting date is timed to fall 10 working days (plan no.1) or 15 working days (plan no.3) 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 award 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 total cost of each performance share plan is calculated by multiplying the number of performance share rights that are expected to vest by the fair value per share.
The number of performance share rights that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate. The estimated vesting rate is 70.83%.
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 total cost calculated as explained above is recognised on a straight-line basis over the vesting period.
The cost of performance share plans recognised in first-half 2015 amounted to €886 thousand (excluding specific employer contributions).
During the first half of 2015, a total of 44,375 performance share rights were granted under the 2012 Plan no.1.

VI - 24) Other expenses

(in thousands of euros)	30 June 2015	30 June 2014
Purchases	(52)	(52)
General subcontracting	(247)	(221)
Rent (operating leases)	(523)	(549)
Maintenance and repairs	(82)	(76)
Fees	(955)	(818)
Publications and public relations	(223)	(366)
Bank charges	(119)	(130)
Taxes other than on income	(775)	(603)
Travel and entertainment	(220)	(183)
Non-recurring expenses	(90)	(45)
Other	(522)	(646)
Total	**(3,809)**	**(3,689)**

VI - 25) Fair value adjustments on investment properties

Details of fair value adjustments on investment properties are provided in Note VI-3.

VI - 26) Share of profits/(losses) of associates

This item, representing a negative €2,176 thousand in the first half of 2014, corresponds to SFL's share of SIIC de Paris's loss for the period up to the date of sale in July 2014.

VI - 27) Finance costs and other financial income and expenses

(in thousands of euros)	30 June 2015	30 June 2014
Interest on bonds and bank loans	(24,032)	(27,522)
Interest on lease liabilities	(336)	(434)
Interest on external current account advances	(297)	(397)
Hedging gains	(786)	(539)
Other financial expenses	(2,152)	(2,200)
Finance costs and other financial expenses	**(27,603)**	**(31,093)**
Interest income	10	9
Net gains on sales of short-term investments	10	42
Hedging gains	-	-
Financial expense transfers	3,576	3,435
Other financial income	42	60
Financial income	**3,638**	**3,546**
Finance costs and other financial income and expenses, net	**(23,965)**	**(27,547)**

Expense transfers for the first half of 2015 correspond to interest expense on debt allocated to the financing of remodelling work on the #cloud.paris building at 81-83 rue de Richelieu, capitalised at the rate of 2.84%.

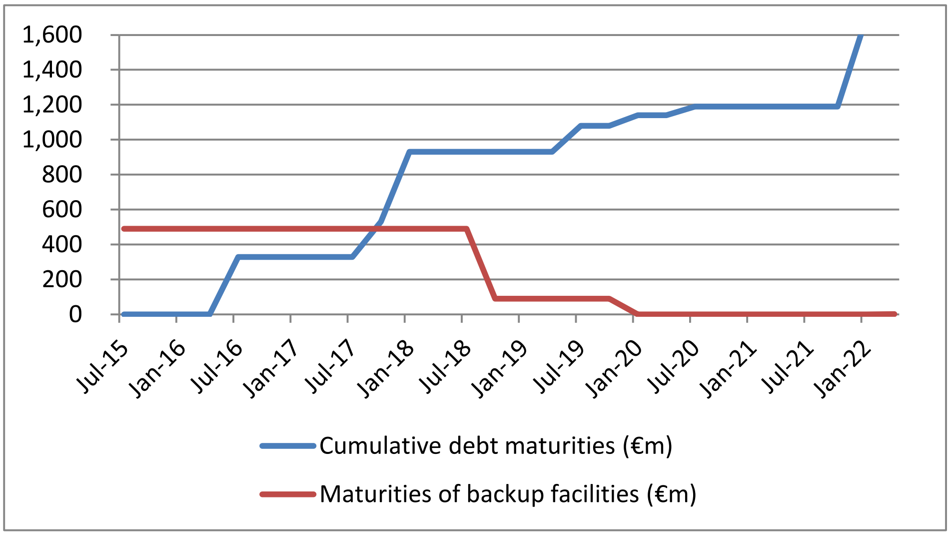
VI - 28) Financial instruments

Financial risk management objectives and policy

In a challenging economic environment, SFL is prudently managing its various financial risks.

1 – Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 30 June 2015, SFL had access to confirmed undrawn lines of credit representing €490 million compared with €600 million at 31 December 2014. 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 2017.



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

The early repayment clauses contained in the facility agreements are presented in Note VI.12.

2 – Counterparty risks

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 risk is minimal because available cash is 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. SFL considers that its exposure to counterparty risk on operations is not material.

3 – Market risk

SFL had no exposure to currency risks at 30 June 2015. 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 30 June 2015, 82% of debt was hedged against interest rate risks.

b - Risk assessment

The average spot cost of debt after hedging stood at 2.70% at 30 June 2015, versus 2.86% at 31 December 2014.
A 50-basis point rise in interest rates across the yield curve in 2014 would have had the effect of increasing the average cost of debt to 2.81%, driving up finance costs by €952 thousand or 3.4%. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 2.63%, and reduced finance costs by €639 thousand or 2.3%.
Concerning hedging instruments, a 50-basis point increase in interest rates would have the effect of increasing the fair value of hedging instruments by €1,997 thousand at 30 June 2015 and €1,533 thousand at 31 December 2014, while a 50-basis point decrease would reduce their fair value by €2,031 thousand at 31 December 2014 and €2,503 thousand at 31 December 2014.

Interest rate risk

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk:

Interest rate hedges (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
Natixis-Deka-Deutsche Hypothekenbank swaps	-	-	185,220	-	-	-	**185,220**
Total	**-**	**-**	**185,220**	**-**	**-**	**-**	**185,220**

Floating rate debt (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
BNP Paribas loan	-	-	-	-	60,000	-	**60,000**
Banco Sabadell loan	-	-	-	-	50,000	-	**50,000**
BECM loan	-	-	-	150,000	-	-	**150,000**
Natixis-Deka-Deutsche Hypothekenbank loan	2,830	3,087	195,253	-	-	-	**201,169**
Lease liabilities	28,666	-	-	-	-	-	**28,666**
Current account advances	-	73,926	-	-	-	-	**73,926**
Cadif loan	40,000	-	-	-	-	-	**40,000**
Total	**71,496**	**77,013**	**195,253**	**150,000**	**110,000**	**-**	**603,761**

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

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 30 June 2015 and 31 December 2019:

(in thousands of euros)	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019
BPCE loan	60,000	60,000	60,000	60,000	60,000
BECM loan	150,000	150,000	150,000	150,000	-
Natixis-Deka-Deutsche Hypothekenbank loan	201,169	198,340	195,252	-	-
Banco Sabadell loan	50,000	50,000	50,000	50,000	50,000
Lease liabilities	28,666	-	-	-	-
Current account advances	73,926	73,926	-	-	-
Cadif loan	40,000	-	-	-	-
Total floating rate debt	**603,761**	**532,266**	**455,252**	**260,000**	**110,000**
Natixis-Deka-Deutsche Hypothekenbank swaps	185,220	185,220	185,220	-	-
Total interest rate hedges	**185,220**	**185,220**	**185,220**	**-**	**-**
Net unhedged position	**418,541**	**347,046**	**270,032**	**260,000**	**110,000**

Accounting treatment of hedging instruments

The net change in value of hedging instruments between 31 December 2014 and 30 June 2015 was €586 thousand in SFL's favour. Of this amount, €593 thousand was recorded as a deduction from equity and €8 thousand was recognised in the statement of comprehensive income (as an expense) along with the reclassified losses referred to below.

When a hedging relationship is discontinued, it no longer qualifies for hedge accounting and any subsequent changes in fair value of the hedging instrument are recognised directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.
In first-half 2015, cumulative losses of €3,831 thousand were reclassified to the statement of comprehensive income.
The net amount recorded in the statement of comprehensive income was therefore a negative €3,838 thousand.

Hedging portfolio

The hedging portfolio comprises the following types of contract:

Interest rate hedges on the financing of the Parholding portfolio
Counterparties: Natixis/Deka/Nord LB.
Description: cash flow hedges. This swap on a notional amount of €185,220 thousand came into effect on 25 November 2012 as a hedge of identified debt and expires on 25 November 2017. SFL pays a fixed rate of 0.8825%.

Measuring hedging instruments
All of SFL's hedging instruments are classified in Level 2 of the fair value hierarchy. Their fair values are estimated based on inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) on active and liquid markets. At 30 June 2015, hedging instruments had a total negative fair value of €3,443 thousand.
The credit risk associated with hedging transactions is calculated based on the probability of default for assets marketable as collateral in the secondary market. At 30 June 2015, credit risk represented a potential loss for SFL of €17 thousand.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 30 June 2015 was €1,237,200 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	Fair value
May 2011 bonds	300,000	May 2016	310,950
November 2012 bonds	400,000	November 2017	426,000
November 2014 bonds	500,000	November 2021	500,250
			1,237,200

VI - 29) Change in provisions for financial assets, net

There were no movements on provisions on financial assets in first-half 2015.

VI - 30) Income tax expense

The election for taxation as an 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 partnerships that are not eligible for taxation as an SIIC and assets under finance leases arranged prior to 1 January 2005.

Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deferred taxes (in thousands of euros)	Statement of financial position 31 Dec. 2014	Reclassifications	Equity	Statement of comprehensive income 30 June 2015	Statement of financial position 30 June 2015
Fair value adjustments on investment properties	(139,386)	-	-	(17,740)	(157,126)
Hedging instruments	1,382	-	(104)	(97)	1,180
Adjustment of depreciation	(15,291)	-	-	(908)	(16,199)
Adjustment of property rentals	(1,502)	-	-	(944)	(2,446)
Capitalisation of interest expense and transaction costs	(521)	-	-	-	(521)
Other	(848)	-	-	(3)	(852)
Net	**(156,166)**	**-**	**(104)**	**(19,692)**	**(175,964)**
Of which: deferred tax assets	6	-	-	(3)	3
Of which: deferred tax liabilities	(156,174)	-	(104)	(19,689)	(175,967)

Current income tax expense for the period amounted to €2,593 thousand, versus €1,866 thousand in first-half 2014. This increase is mainly attributable to the tax charge of the Parholding tax consolidation group.

VI - 31) Non-controlling interests in net profit

(in thousands of euros)	30 June 2015	30 June 2014
SCI Washington	**7,038**	**7,016**
Property rentals	*3,112*	*3,444*
Fair value adjustments on investment properties	*4,388*	*3,633*
Net financial expense	*(196)*	*(264)*
Parholding Group	**16,021**	**13,047**
Property rentals	*7,011*	*6,488*
Fair value adjustments on investment properties	*19,526*	*16,014*
Net financial expense	*(1,471)*	*(1,485)*
Deferred tax	*(7,323)*	*(6,444)*
Current tax	*(1,198)*	*(831)*
Total	**23,059**	**20,063**

VI - 32) 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)	30 June 2015	30 June 2014
Profit used to calculate basic earnings per share	205,569	139,486
Number of ordinary shares at 30 June	46,528,974	46,528,974
Number of treasury shares at 30 June	(378,609)	(417,123)
Number of ordinary shares at 30 June excluding treasury shares	**46,150,365**	**46,111,851**
Earnings per share	**€4.45**	**€3.02**
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 30 June	(378,609)	(417,123)
Weighted average number of ordinary shares excluding treasury shares	**46,150,365**	**46,111,851**
Basic earnings per weighted average share	**€4.45**	**€3.02**

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

VI - 33) Dividends

(in thousands of euros)	30 June 2015		30 June 2014	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	64,624	€1.40	64,541	€1.40
Current year interim dividend	-	-	-	-
Total	**64,624**	**€1.40**	**64,541**	**€1.40**

VI - 34) Off-balance sheet commitments

Mortgage collateral

Type of mortgage		Standard mortgage			**Total**
Company		Pargal	Parchamps	Parhaus	
Expiry date		25 September 2018	25 September 2018	25 September 2018	
Registered by Deutsche Hypothekenbank	Principal	31,278	10,072	27,250	**68,600**
	Costs and incidentals	2,189	705	1,908	**4,802**
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Registered by Natixis	Principal	31,278	10,072	27,250	**68,600**
	Costs and incidentals	2,189	705	1,908	**4,802**
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Registered by Deka	Principal	31,278	10,072	27,250	**68,600**
	Costs and incidentals	2,189	705	1,908	**4,802**
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Total		**100,402**	**32,331**	**87,473**	**220,206**

Guarantees and other commitments

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given:				
- Property guarantees	541	293	248	-
Commitments received				
- Guarantees received from tenants	52,486	22,166	7,248	23,072
- Guarantees received from suppliers	37,145	3,273	33,872	-
- BPCE loan	90,000	-	90,000	-
- BNP Paribas loan	400,000	-	400,000	-

Employee benefit obligations at 30 June 2015

Two employees (including one person who is also an officer of the Company) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company.

An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

At 30 June 2015, the aggregate compensation that would be payable to these individuals amounts to €2,001 thousand.

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008 in the case of the employees and on 27 January 2015 in the case of the corporate officer who is not an employee.

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 30 June 2015, the Group's contractual commitments relating to investment properties undergoing renovation totalled €60,485 thousand (31 December 2014: €81,730 thousand), including the #cloud.paris property (81-83 rue de Richelieu) for €24,870 thousand.

VI - 35) Note to the statement of cash flows

(in thousands of euros)	30 June 2015	30 June 2014
Acquisitions of investment properties, intangible assets and property and equipment		
Purchase price	(63,900)	-
Transaction costs	(3,647)	-
Taxes	-	-
Proceeds from disposals of investment properties, intangible assets and property and equipment		
Sale price	11	12
Transaction costs	-	-
Capital gains tax	-	-
Cash and cash equivalents at end of period		
Short-term investments	12,173	28,830
Cash at bank and in hand	4,819	2,410
Short-term bank loans and overdrafts	(38,227)	(27,723)

Additional information

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.

VI - 36) 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)	30 June 2015	30 June 2014
Short-term benefits, excluding payroll taxes(1)	1,480	2,555
Payroll taxes on short-term benefits	584	984
Share-based payments(2)	711	261
Directors' fees	159	164
Total	**2,934**	**3,964**

(1) Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the period.
(2) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

Statutory auditors' review report on the 2015 interim financial information

Six months ended 30 June 2015

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

Société Foncière Lyonnaise
42, rue Washington
75008 Paris
France

To the Shareholders,

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

- the review of the accompanying interim consolidated financial statements of Société Foncière Lyonnaise for the six months ended 30 June 2015;
- the verification of the information contained in the interim management report.

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

I – Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2015, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

II – Specific verification

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

Neuilly-sur-Seine, 23 July 2015

The Statutory Auditors

PricewaterhouseCoopers Audit

Philippe Guéguen

Deloitte & Associés

Christophe Postel-Vinay

STATEMENT BY THE PERSON RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

I hereby declare that, to the best of my knowledge, the consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the interim management report on page 3 presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies for the remaining six months of the year.

Paris, 23 July 2015

Nicolas REYNAUD,
Chief Executive Officer

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