SOCIETE FONCIERE LYONNAISE

we care for your talents

INTERIM FINANCIAL REPORT

Six months ended 30 June 2014

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INTERIM FINANCIAL REPORT

On 30 June 2014, the Board of Directors of SFL was composed as follows:

Chairman of the Board of Directors:
- Mr. Juan José Brugera Clavero

Directors:
- Mrs Angels ARDERIU IBARS
- Mr. Jacques CALVET
- Mrs Anne-Marie de CHALAMBERT
- Mr. Jean-Jacques DUCHAMP
- Mrs Chantal du RIVAU
- Mr. Carlos FERNANDEZ-LERGA GARRALDA
- Mrs Carmina GAÑET CIRERA
- Mr. Carlos KROHMER
- Mr. Luis MALUQER TREPAT
- Mr. Pere VIÑOLAS SERRA
- Mr. Anthony WYAND
- REIG Capital Group Luxembourg, represented by Mr. Alejandro HERNANDEZ-PUERTOLAS

The interim consolidated financial statements for the six months ended 30 June 2014 were approved by the Board of Directors of Société Foncière Lyonnaise at a meeting on 23 July 2014.

These financial statements show a further rise in rental income of 3.0% and an increase of 5.3% in the portfolio's appraisal value on a comparable portfolio basis.

Consolidated data (€ millions)

	30/06/2014	30/06/2013
Rental income	73.8	74.6
Operating profit before disposals and fair value adjustments	58.9	59.8
Attributable net profit	139.5	82.2
Underlying attributable profit (EPRA earnings)	26.3	29.7

	30/06/2014	31/12/2013
Attributable equity	2,296	2,215
Consolidated portfolio value excluding transfer costs	4,081	3,874
Consolidated portfolio value including transfer costs	4,287	4,071
EPRA NNNAV	2,253	2,172
EPRA NNNAV per share	€48.4	€46.7

Results

The consolidated data were prepared in accordance with the IFRS framework, based on the fair value measurement of investment properties.

- Rental income stood at €73.8 million on 30 June 2014, compared to €74.6 million on 30 June 2013.

    - On a comparable portfolio basis, rents increased by €2.1 million (+3.0%), mainly due to new leases signed during 2013.

    - Properties undergoing redevelopment accounted for a reduction in revenue of €1.7 million compared to the first half of 2013.

    - Finally, the sale of the Mandarin Oriental in February 2013 reduced rental income by €1.2 million over the first half.

- Property expenses, net of recoveries, stood at €4.8 million on 30 June 2014 versus €6.4 million on 30 June 2013.

- Other income amounted to €0.4 million on 30 June 2014 versus €0.7 million on 30 June 2013.

- Employee benefits expenses and other expenses remained stable at €9.9 million on 30 June 2014 versus €10.0 million on 30 June 2013.

- Operating profit before disposals and fair value adjustments fell slightly to €58.9 million in the first half of 2014 versus €59.8 million on 30 June 2013.

- The portfolio's appraisal value on 30 June 2014 rose by 5.3% on a comparable portfolio basis relative to the value on 31 December 2013. The increase led to the recognition of positive fair value adjustments to investment properties of €150.1 million on 30 June 2014, versus €79.7 million on 30 June 2013.

- The results of associated companies, corresponding to the 29.6% stake in the SIIC de Paris, was -€2.2 million on 30 June 2014 versus +€11.6 million on 30 June 2013. This stake has been classified as "held for sale" following the sale agreement signed on 5 June 2014 with Eurosic (see the press release of 5 June 2014).

- Net finance costs amounted to €32.3 million on 30 June 2014, compared with €35.0 million on 30 June 2013. Fair value adjustments to financial instruments generated a net expense of €4.6 million on 30 June 2014 versus a net expense of €8.7 million on 30 June 2013. Recurring finance costs rose by €1.3 million due to an increase in the volume of debt.

- After taking into account these key items, the Group reported attributable net profit for the period of €139.5 million, compared with €82.2 million on 30 June 2013.

- 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) came in at €26.3 million for the first half of 2014 compared with €29.7 million on 30 June 2013.

First-Half 2014 Business Review

Rental operations:

In a rental market that remains difficult, although volumes have increased relative to 2013, SFL successfully leased approximately 16,000 sq.m. of space in the first half of 2014. Notable leases included 6,000 sq.m. of offices that were pre-leased in 90 Champs-Elysées, 1,900 sq.m. leased in the Cézanne-Saint Honoré building, and 1,900 sq.m. in the building at 176 Charles de Gaulle in Neuilly. Nominal rent for these office leases averaged €625/sq.m., corresponding to an effective rent of €543/sq.m.

The physical occupancy rate for revenue-generating properties was 85.4% on 30 June 2014, compared to 82.0% on 31 December 2013. The In/Out building, for which the marketing process is ongoing, accounts for 11.9% of the vacancy.

Development operations:

Capitalised work carried out in the first half of 2014 totalled €43 million and mainly concerned redevelopment projects at #Cloud.Paris on the rue de Richelieu, delivery of which is expected in the second half of 2015, and at 90 Champs-Elysées, as well as at Washington Plaza, where the shared reception areas were fully renovated. On 30 June 2014, the development pipeline totalled around 57,000 sq.m., comprised mainly of the two previously mentioned operations as well as additional space in the Louvre building.

Portfolio operations:

On 5 June 2014, SFL signed an agreement with Eurosic for the sale of the whole of its 29.6% stake in the capital of SIIC de Paris at a price of €23.88 per share (after payment of the dividend), for a total of €304.9 million (see the press release of 5 June 2014).

This sale was effectively finalised on 23 July 2014 and will generate a capital gain of around €8 million in the consolidated results of the second half.

No new properties were purchased during the first half of 2014.

Financing

Net debt at 30 June 2014 amounted to €1,546 million, compared with €1,457 million at 31 December 2013, representing a loan-to-value ratio of 33.7% including the minority interest held in SIIC de Paris. At that date, SFL also had €615 million in back-up lines of credit. At 30 June 2014, the average cost of debt after hedging was 3.4% and the average maturity was 3.0 years.

In May 2014, SFL signed with the BECM for a new 5-year revolving credit facility of €150 million. This replaces a facility of the same amount that had matured.

Net Asset Value

The consolidated market value of the portfolio at 30 June 2014 was €4,081 million excluding transfer costs, an increase of 5.3% on a comparable portfolio basis relative to 31 December 2013 (€3,874 million).

The portfolio is composed of 18 prestigious properties, principally prime office properties in the heart of Paris (92%) and the most attractive parts of the Western Crescent (8%).

The average rental yield stood at 4.9% at 30 June 2014 compared with 5.1% at 31 December 2013.

EPRA NNNAV stood at €2,253 million or €48.4 per share at 30 June 2014 compared with €46.7 per share at 31 December 2013, an increase of 3.7%.

RISK FACTORS

Risk factors are those factors which, if they were to occur, would be liable to have a significant negative impact on SFL, its operations, its situation, its results or its stock market performance, and which are important to investment decisions.

Risk factors are described on **pages 22 to 29 of the Financial and Legal Report of the 2013 Annual Report** (filed on 10 April 2014).

Unless these factors have undergone changes that merit further explanation, they are included by reference to the 2013 Annual Report.

Investors should note that the list of risks presented below is not exhaustive and that there could exist other risks, unknown or unforeseen at the date of the present report, that could be liable to have a negative impact on SFL, its operations, its financial situation, its results or its stock market performance.

1. Liquidity risk

This risk was presented in the notes to the consolidated financial statements (30 June 2014) on page 35 of this document, paragraph 6-30 (Financial Instruments).

2. Counterparty risk

This risk was presented in the notes to the consolidated financial statements (30 June 2014) on page 36 of this document, paragraph 6-30 (Financial Instruments).

3. Currency risk

SFL does not have exposure to currency risk on 30 June 2014.

4. Interest rate risk

This risk was presented in the notes to the consolidated financial statements (30 June 2014) on page 36 of this document (ref. "market risk"), paragraph 6-30 (Financial Instruments).

a - Objectives and strategy:
The objectives and strategy were presented in the notes to the consolidated financial statements (30 June 2014) on page 36 of this document, paragraph 6-30 (Financial Instruments).

b - Risk assessment:
The risk assessment was presented in the notes to the consolidated financial statements (30 June 2014) on page 36 of this document, paragraph 6-30 (Financial Instruments).

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

This risk was specifically covered in the 2013 Annual Report (page 23 of the Financial and Legal Report).

6. Risks associated with operating in a highly competitive market

This risk was specifically covered in the 2013 Annual Report (page 24 of the Financial and Legal Report).

7. Risks associated with tenants
This risk was specifically covered in the 2013 Annual Report (page 24 of the Financial and Legal Report).

8. Risks associated with the availability and cost of financing
This risk was specifically covered in the 2013 Annual Report (page 24 of the Financial and Legal Report).

9. Risks associated with the loss of key personnel
These risks were specifically covered in the 2013 Annual Report (page 25 of the Financial and Legal Report).

10. Risks associated with subcontractors and other service providers
These risks were specifically covered in the 2013 Annual Report (page 25 of the Financial and Legal Report).

11. Risks associated with the regulatory environment
These risks were specifically covered in the 2013 Annual Report (pages 25 and 26 of the Financial and Legal Report).

12. Risks associated with government-related procedures
These risks were specifically covered in the 2013 Annual Report (page 26 of the Financial and Legal Report).

13. Risks of neighbourhood complaints
These risks were specifically covered in the 2013 Annual Report (page 26 of the Financial and Legal Report).

14. Risks associated with the majority shareholder
These risks were specifically covered in the 2013 Annual Report (page 26 of the Financial and Legal Report).

15. Risks associated with the SIIC tax regime
These risks were specifically covered in the 2013 Annual Report (pages 26 to 29 of the Financial and Legal Report).

At the date on which the present report was established, the Company has not identified any other risks and uncertainties for the following half year period.

TRANSACTIONS WITH RELATED PARTIES

These operations are presented in the notes to the consolidated financial statements (30 June 2014) on page 41 of this document, paragraph 6-38 ("Information on related parties").

SOCIÉTÉ FONCIÈRE LYONNAISE
SIX MONTHS ENDED 30 JUNE 2014

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Contents

The interim consolidated financial statements were approved for publication by the Board of Directors on 23 July 2014.

A – Consolidated Statement of Financial Position

ASSETS	Notes Section E	30 June 2014	31 December 2013
(in thousands of euros)			
Intangible assets	6-1	2,200	1,884
Property and equipment	6-2	22,452	22,760
Investment properties	6-3	4,008,124	3,810,524
Investments in associates	6-4	-	302,341
Financial assets	6-5	692	692
Other non-current assets	6-6	6,000	6,884
Total non-current assets		**4,039,468**	**4,145,084**
Investment properties held for sale	6-7	-	-
Inventories and work in progress		-	-
Trade and other receivables	6-8	76,538	63,014
Other non-current assets	6-9	2,854	1,594
Cash and cash equivalents	6-10	31,241	29,032
Total current assets		**110,633**	**93,639**
Other assets and disposal groups held for sale	6-4	294,866	
Total assets held for sale		**294,866**	
Total assets		**4,444,967**	**4,238,723**

EQUITY AND LIABILITIES	Notes Section E	30 June 2014	31 December 2013
(in thousands of euros)			
Share capital		93,058	93,058
Reserves		2,063,127	1,974,378
Profit for the period		139,486	147,259
Equity attributable to owners of the parent		**2,295,671**	**2,214,695**
Non-controlling interests		246,395	230,871
Total non-controlling interests		**246,395**	**230,871**
Total equity	6-11	**2,542,066**	**2,445,566**
Long-term borrowings and derivative instruments	6-12	1,583,353	1,345,323
Long-term provisions	6-13	821	582
Deferred tax liabilities	6-14	145,913	133,902
Accrued taxes	6-15	5,453	9,107
Other non-current liabilities	6-16	15,999	15,575
Total non-current liabilities		**1,751,539**	**1,504,490**
Trade and other payables	6-17	41,114	36,481
Short-term borrowings and other interest-bearing debt	6-12	72,586	216,260
Short-term provisions	6-13	690	484
Other current liabilities	6-18	36,972	35,443
Total current liabilities		**151,362**	**288,668**
Liabilities related to assets held for sale		-	
Total liabilities related to assets held for sale		**-**	
Total equity and liabilities		**4,444,967**	**4,238,723**

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2014	First-half 2013
Property rentals		73,830	74,634
Property expenses, net of recoveries		(4,761)	(6,373)
Net property rentals	6-19	**69,069**	**68,261**
Service and other revenues	6-20	-	28
Other income	6-21	390	694
Depreciation and amortisation expense	6-22	(491)	(441)
Provision (expense)/reversals, net	6-23	(194)	1,346
Employee benefits expense	6-24	(6,177)	(5,832)
Other expenses	6-25	(3,689)	(4,214)
Profit on disposal of investment properties	6-26	(10)	(195)
Gains and losses from remeasurement at fair value of investment properties	6-27	150,094	79,657
Operating profit		**208,992**	**139,304**
Share of profits of associates	6-28	(2,176)	11,583
Finance costs and other financial expenses	6-29	(31,093)	(31,892)
Financial income	6-29	3,546	5,673
Gains and losses from remeasurement at fair value of financial instruments	6-30	(4,570)	(8,724)
Discounting adjustments to receivables and payables		(162)	(43)
Provision expense, net - financial assets	6-31	-	-
Profit before income tax		**174,537**	**115,901**
Income tax (expense)/benefit	6-32	(14,988)	(16,729)
Profit for the period		**159,549**	**99,172**
Attributable to owners of the parent		**139,486**	**82,158**
Attributable to non-controlling interests	6-33	**20,063**	**17,014**
Other comprehensive income			
Actuarial gains and losses	6-13	(147)	92
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		***(147)***	***92***
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	6-30	1,682	14,894
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	6-32	1,110	(914)
Items in the accounts of associates that may be reclassified subsequently to profit or loss	6-4	1,980	1,731
Items that may be reclassified subsequently to profit or loss		***4,772***	***15,711***
Total other comprehensive income		**4,625**	**15,803**
Comprehensive income		**164,174**	**114,975**
Attributable to owners of the parent		**145,169**	**97,090**
Attributable to non-controlling interests		19,006	17,885

		First-half 2014	First-half 2013
Earnings per share	6-34	€3.02	€1.78

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	Attributable to owners of the parent	Attributable to non-controlling interests
Equity at 31 December 2012	**93,058**	**1,030,630**	**22,621**	**(18,289)**	**(39,666)**	**765,090**	**283,189**	**2,136,630**	**198,031**
Movements for the period									
Profit for the period							82,158	82,158	17,014
Other comprehensive income, net of tax					14,840	92		14,932	871
Comprehensive income	**-**	**-**	**-**	**-**	**14,840**	**92**	**82,158**	**97,090**	**17,885**
Appropriation of profit						283,189	(283,189)	-	
Treasury share transactions				(751)				(751)	
Gains and losses on sales of treasury shares				4				4	
Reclassification of hedging instruments									
Impact of associates									
Share-based payments						273		273	
Dividends paid to owners of the parent		(64,520)						(64,520)	(3,107)
Changes in scope of consolidation									
Equity at 30 June 2013	**93,058**	**966,109**	**22,621**	**(19,037)**	**(24,825)**	**1,048,642**	**82,158**	**2,168,726**	**212,809**
Movements for the period									
Profit for the period							65,101	65,101	18,424
Other comprehensive income, net of tax					12,030	(8)		12,023	(362)
Comprehensive income	**-**	**-**	**-**	**-**	**12,030**	**(8)**	**65,101**	**77,124**	**18,061**
Appropriation of profit		(41,927)				41,927	-	0	
Treasury share transactions				797				797	
Gains and losses on sales of treasury shares				6				6	
Reclassification of hedging instruments								0	
Impact of associates								0	
Share-based payments						297		297	
Dividends paid to owners of the parent						(32,254)		(32,254)	-
Changes in scope of consolidation									
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)		5,682	(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**

D – Consolidated Statement of Cash Flows

(in thousands of euros)		First-half 2014	First-half 2013
Cash flows from operating activities:			
Profit for the period attributable to owners of the parent		139,486	82,158
(Gains)/losses from remeasurement at fair value of investment properties		(150,094)	(79,657)
Depreciation and amortisation expense		491	441
Net additions to/(reversals of) provisions		298	(948)
Net (gains)/losses from disposals of assets, after tax		10	195
Discounting adjustments and valuation (gains)/losses on financial instruments		4,731	8,767
Deferral of rent-free periods		(8,606)	(3,310)
Employee benefits		287	273
Share of (profits)/losses of associates		2,176	(11,583)
Non-controlling interests in profit for the period		20,064	17,014
Other movements		-	-
Cash flow after finance costs and income tax		**8,843**	**13,349**
Finance costs		27,548	26,219
Income tax		14,987	16,729
Cash flow before finance costs and income tax		**51,377**	**56,297**
Change in working capital		*4,149*	*(6,876)*
Dividends received from associates		2,937	0
Interest paid		(31,346)	(33,048)
Interest received		106	118
Income tax paid		(3,619)	(6,253)
Net cash provided by operating activities		**23,605**	**10,239**
Cash flows from investing activities:			
Acquisitions of and improvements to investment properties		(46,848)	(70,027)
Acquisitions of intangible assets and property and equipment		361	(5,448)
Acquisitions of subsidiaries, net of the cash acquired	6-37	-	-
Proceeds from disposals of intangible assets and property and equipment	6-37	12	290,110
Proceeds from disposals of subsidiaries, net of the cash sold		-	-
Other cash inflows and outflows		(26)	79
Net cash provided/(used) by investing activities		**(46,501)**	**214,714**
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares		-	-
Purchases and sales of treasury shares, net		63	(747)
Dividends paid to owners of the parent		(64,541)	(64,520)
Dividends paid to non-controlling interests		(2,581)	(3,107)
Proceeds from new borrowings		312,609	108,990
Repayments of borrowings		(217,592)	(233,113)
Other		-	(12,881)
Net cash provided/(used) by financing activities		**27,957**	**(205,379)**
Net change in cash and cash equivalents		**5,061**	**19,574**
Cash and cash equivalents at beginning of period	6-37	(1,544)	(1,410)
Cash and cash equivalents at end of period	6-37	3,517	18,165
Net change in cash and cash equivalents		**5,061**	**19,574**

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

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

1-1) Accounting standards

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

The following interpretation had not been adopted for use in the European Union or was not yet applicable and was not early adopted as of 30 June 2014:

- IFRIC 21 – Levies

The following new standards and interpretations were applicable from 1 January 2014:

- IFRS 9 – Financial Instruments.
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- Consecutive amendments to IFRS 10, 11, 12 concerning IAS 27 – Consolidated and Separate Financial Statements and IAS 28 – Investments in Associates and Joint Ventures
- Transition guidance, IFRS 10, 11 and 12
- Amendments to IFRS 10 and 12 and IAS 27 – Investment Entities
- Amendment to IAS 32 – Offsetting of Financial Assets and Financial Liabilities
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

1-2) 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 2-3).

1-3) 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.

1-4) 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 joint ventures 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.

1-5) 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 an interest in 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.

1-6) Business combinations

In accordance with IFRS 3 (revised), 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 3 are treated as direct acquisitions of the underlying property.

1-7) 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.

1-8) 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.

Application of the amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets had no material impact on SFL's consolidated financial statements for first-half 2014.

II - Measurement Methods

2-1) 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.

2-2) 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. 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.

2-3) Investment property

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 "Gains and losses from remeasurement at fair value of 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.

<u>Valuation method</u>

SFL's entire property portfolio was valued at 30 June 2014 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 in 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 4-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: 37%
- BNP Paribas Real Estate: 31%

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), the office rent index (ILAT) and the commercial property rent index (ILC). Each property is analysed in detail, based on the type of use and the surface area of each unit, lease by lease.
The valuers noted that 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 using a standard 6.20% or 6.90% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs.

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.

2-4) Measurement of investment properties at fair value

IFRS 13 – Fair Value Measurement, which was applicable as from January 1, 2013, 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 2-3) 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.

Louvre des Antiquaires/Louvre des Entreprises, 75001 Paris could not be valued according to its highest and best use due to layout changes that may lead to an upward revaluation of the complex's retail area. These plans are not yet firm enough to be taken into account in fair value measurements.

2-5) 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 in the above categories 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.

2-6) 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.

2-7) 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.

2-8) 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.

2-9) Amounts receivable from tenants and trade 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.

2-10) 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.

2-11) Assets held for sale

In accordance with IFRS 5, a non-current asset or a group of assets and liabilities (“disposal group”) is classified as held for sale if (i) its carrying amount will be recovered principally through a sale transaction rather than through continuing use and (ii) its sale is highly probable. These assets or disposal groups are presented separately from other assets or groups of assets when the amounts involved are material. They are measured at the lower of their carrying amount and their estimated fair value less costs to sell.

On 5 June 2014, SFL signed an agreement for the sale to Eurosic of its entire 29.63% interest in SIIC de Paris (12,769,538 shares) at a price of €24.22 per share less any dividends paid prior to the deal being closed. The sale is subject to the condition precedent of Eurosic’s acquisition of the SIIC de Paris shares held by Realia, scheduled to be completed on 23 July 2014.

In the consolidated statement of financial position at 30 June 2014, the SIIC de Paris shares have been reclassified from “Investments in associates” to “Assets held for sale”.

2-12) 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.

2-13) 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”.

2-14) 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.

2-15) 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 half-yearly intervals based on actuarial assumptions. Actuarial gains and losses are recorded in “Other comprehensive income”. The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at age 65 at the employer’s initiative.

2-16) Treasury shares

Treasury shares are recorded as a deduction from equity.

2-17) 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.

2-18) 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.

2-19) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange 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.

2-20) 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 profit 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 capitalized as part of the cost of the asset.

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.

2-21) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group’s earnings (see Note 2-3).

All of the Group’s financial instruments are measured using standard market valuation models (see Note 2-19).

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.

First-half 2014 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	61,791	2,368	9,671	-	73,830
Property expenses, net of recoveries	(3,089)	(1,267)	(405)	-	(4,761)
Net property rentals	**58,702**	**1,101**	**9,266**	**-**	**69,069**
Service and other revenues	-	-	-	-	-
Other income	(189)	(61)	14	626	391
Depreciation and amortisation expense	(215)	-	-	(276)	(491)
Provision (expense)/reversals, net	(117)	-	-	(77)	(194)
Employee benefits expense	-	-	-	(6,177)	(6,177)
Other expenses	-	-	-	(3,689)	(3,689)
Profit/(loss) on disposal of investment properties	(10)	-	-	-	(10)
Gains/(losses) from remeasurement at fair value of investment properties	129,605	10,200	10,289	-	150,094
Operating profit	**187,776**	**11,240**	**19,569**	**(9,593)**	**208,993**
Share of profits/(losses) of associates	-	-	(2,176)	-	(2,176)
Finance costs and other financial expenses	-	-	-	(31,093)	(31,093)
Financial income	-	-	-	3,546	3,546
Gains and losses from remeasurement at fair value of financial instruments	-	-	-	(4,570)	(4,570)
Discounting adjustments to receivables and payables	-	-	-	(161)	(161)
Provision expense, net - financial assets	0	-	-	-	-
Profit before income tax	**187,776**	**11,240**	**17,393**	**(41,872)**	**174,537**
Income tax (expense)/benefit	(14,784)	-	-	(203)	(14,987)
Profit for the period	**172,992**	**11,240**	**17,393**	**(42,076)**	**159,549**
Attributable to owners of the parent	**149,412**	**11,240**	**17,393**	**(38,559)**	**139,486**
Attributable to non-controlling interests	**23,580**	**-**	**-**	**(3,517)**	**20,064**
Other comprehensive income					
Actuarial gains and losses	-	-	-	(147)	(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	-	-	-	***(147)***	***(147)***
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	-	-	-	1,682	1,682
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	-	-	-	1,110	1,110
Items in the accounts of associates that may be reclassified subsequently to profit or loss	-	-	-	1,980	1,980
Items that may be reclassified subsequently to profit or loss	-	-	-	***4,772***	***4,772***
Total other comprehensive income	**-**	**-**	**-**	**4,625**	**4,625**
Comprehensive income	**172,992**	**11,240**	**17,393**	**(37,451)**	**164,174**
Attributable to owners of the parent	**149,412**	**11,240**	**17,393**	**(32,877)**	**145,169**
Attributable to non-controlling interests	**23,580**	**-**	**-**	**(4,574)**	**19,006**

(in thousands of euros)	**Paris Central Business District**	**Western Crescent**	**Other**	**Headquarters**	**Total**
Segment assets	3,321,985	317,404	396,929	2,203	4,038,521
Unallocated assets	-	-	-	406,446	406,446
Total assets	**3,321,985**	**317,404**	**396,929**	**408,649**	**4,444,967**

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 avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue du Sentier and rue du Faubourg-Poissonnière in the east, and from avenue de Villiers and boulevard Malesherbes in the north to rue de Rivoli and the banks of the Seine up to Trocadero in the south.

- Western Crescent: market 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.

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

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

IV - Significant Events of the Period

4-1) Operations

Redevelopment of the #Cloud building at 81-83 rue de Richelieu continued according to plan. The project began in the second half of 2012, following the departure of the building's tenant, and delivery is scheduled for the second half of 2015.

On 5 June, SFL signed an agreement for the sale to Eurosic of its entire 29.63% interest in SIIC de Paris at a price of €24.22 per share less any dividends paid prior to the deal being closed. The sale is subject to the condition precedent of Eurosic's acquisition of the SIIC de Paris shares held by Realia. The total sale price of €309 million is in line with SIIC de Paris's NAV (excluding transfer costs) at 31 December 2013 and with the carrying amount of the investment in SFL's consolidated statement of financial position at that date. It reflects a significant capital gain compared with the acquisition price of €18.48 per share paid by SFL. The transaction marks the conclusion of a process initiated in December 2010 when two properties in La Défense (the Coface building and Building C in the Les Miroirs complex) valued at €286 million were transferred by SFL to SIIC de Paris in exchange for SIIC de Paris shares, and part of this stake was immediately sold on to Realia for €50 million.
The disposal proceeds will improve SFL's debt ratios and significantly increase its investment capacity.

4-2) Financing

In April, the €150 million BECM revolving credit facility set up in May 2007 was replaced by a €50 million 5-year term loan and a €100 million 5-year revolving credit facility, extending the average maturity of the Company's debt.

4-3) Tax audits

Following a tax audit covering the years 2010 to 2012, SFL was notified of a proposed €2.8 million tax reassessment, leading to a claim for the payment of €0.2 million in back taxes and a €2.3 million reduction in the tax loss carryforwards available to the Company.
SFL has contested the reassessment, which concerns cost allocations for tax purposes, and no provision has been booked for the additional tax claimed.

4-4) Subsequent events

At its meeting on 8 July, SFL's Board of Directors decided to terminate Bertrand Julien-Laferrière's appointment as Chief Executive Officer of the Company.

On 15 July, SFL was informed that France's anti-trust authorities had approved Eurosic's acquisition of exclusive control of SIIC de Paris, allowing the SIIC de Paris shares held by Realia and SFL to be sold to Eurosic as planned on 23 July.
SFL will record a capital gain of approximately €8 million on the transaction.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	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
Associated companies accounted for by the equity method			
SIIC de Paris	303 323 778	29.63	29.63

At 30 June 2014, Société Foncière Lyonnaise was 53.1%-owned by the Spanish company Inmobiliaria Colonial SA.

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.

6-1) Intangible assets

	31 December 2013	Increases	Decreases	Reclassifications	30 June 2014
Cost					
Computer software	4,690	-	-	86	4,776
Other intangible assets	1,020	439	-	(86)	1,372
Amortisation					
Computer software	(3,825)	(123)	-	-	(3,948)
Other intangible assets	-	-	-	-	-
Carrying amount	**1,884**	**316**	**-**	**-**	**2,200**

6-2) Property and equipment

	31 December 2013	Increases	Decreases	Reclassifications	30 June 2014
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Equipment	3,798	76	(78)	60	3,857
Depreciation					
Owner-occupied property	(1,107)	(215)	-	-	(1,322)
Equipment	(1,169)	(152)	56	(56)	(1,321)
Carrying amount	**22,760**	**(291)**	**(22)**	**5**	**22,452**

The appraisal value of owner-occupied property – corresponding to the Group's headquarters – at 30 June 2014 was €27,315 thousand.

6-3) Investment property

	31 December 2013	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassi-fications	30 June 2014
Fair value							
Investment properties	3,810,524	47,523	161,373	-	(11,279)	(16)	4,008,124
Total	**3,810,524**	**47,523**	**161,373**	**-**	**(11,279)**	**(16)**	**4,008,124**

	30 June 2014	31 December 2013
Appraisal value of investment properties	4,053,717	3,846,024
CAPEX adjustment	(2,545)	-
Adjustments to reflect specific lease terms	(43,048)	(35,500)
Fair value of investment properties in the statement of financial position	**4,008,124**	**3,810,524**

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 parameters for each asset class:

Asset class	Value excluding transfer costs 30 June 2014 €m (100%)	Parameters	Range of values[(1)]	Weighted average value [(1)]
Paris Central Business District	3,357	Market rent for offices Exit yield Discount rate	€520 - €810 4.50% - 5% 5.20% – 6.75%	€665 4.76% 5.85%
Other Paris	406	Market rent for offices Exit yield Discount rate	€430 - €660 5.25% - 5.35% 6% - 6.25%	€570 5.30% 6.13%
Western Crescent	318	Market rent for offices Exit yield Discount rate	€300 - €500 5.70% – 6.50% 6.25% - 7.50%	€446 5.76% 6.80%
TOTAL	**4,081**			

[(1)] *Office properties.*

6-4) Investments in associates and Assets held for sale

	% interest	31 December 2013	Dividends received	Share of profit/(loss)	Reclassi-fications	Other movements	30 June 2014
SIIC de Paris	29.63%	302,341	(7,279)	(2,176)	(294,866)	1,980	-
Total investments in associates		**302,341**	**(7,279)**	**(2,176)**	**(294,866)**	**1,980**	**-**

The 29.63% interest in SIIC de Paris was valued at €294,866 thousand at 30 June 2014 and €302,341 thousand at 31 December 2013.

	% interest	31 December 2013	Dividends received	Share of profit/(loss)	Reclassi-fications	Other movements	30 June 2014
SIIC de Paris	29.63%	-	-	-	294,866	-	294,866
Total assets held for sale		**-**	**-**	**-**	**294,866**	**-**	**294,866**

Following the sale agreement signed on 5 June 2014, the investment was reclassified as "Assets held for sale” at its carrying amount of €294,866 thousand. The sale proceeds, net of transaction costs and €4,342 thousand in dividends, amounted to €303,557 thousand. As this was greater than the investment’s carrying amount, no impairment loss was recorded in the accounts. A capital gain will be recognised when the transaction is completed.

6-5) Financial assets

	31 December 2013	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	30 June 2014
Investments in non-consolidated companies	1,071	-	-	-	-	1,071
Provisions for impairment	(1,071)	-	-	-	-	(1,071)
Investments in non-consolidated companies, net	-	-	-	-	-	-
Deposits	692	-	-	-	-	692
Total	**692**	**-**	**-**	**-**	**-**	**692**

Provisions maintained in the statement of financial position since 31 December 2010 for impairment of investments in non-consolidated companies concern Groupe Vendôme Rome, which has a negative net worth and has been written down in full.

6-6) Other non-current assets

	30 June 2014	31 December 2013
Deferred tax assets	6	6
Other long-term receivables	201	208
Long-term prepayments	5,793	6,669
Total	**6,000**	**6,884**

Deferred tax assets are analysed in Note 6-32.
Prepayments correspond mainly to advances paid on long-term contracts for building restructuring work.

6-7) Investment properties held for sale

No properties were classified as held for sale at 30 June 2014.

6-8) Trade and other receivables

	30 June 2014			31 December 2013
	Total	Due within one year	Due in more than one year	Total
Trade receivables	55,825	18,746	37,080	44,130
Provisions	(1,814)	-	(1,814)	(1,933)
Trade receivables, net	**54,011**	**18,746**	**35,265**	**42,197**
Prepayments to suppliers	7	7	-	30
Employee advances	72	72	-	39
Tax receivables (other than income tax)	15,990	15,990	-	19,002
Other operating receivables	591	591	-	1,569
Other receivables	5,867	5,867	-	176
Other receivables	**22,527**	**22,527**	**-**	**20,817**
Total	**76,538**	**41,273**	**35,265**	**63,014**

Receivables include €43,048 thousand (of which €10,009 thousand due beyond one year) 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.

Other receivables at 30 June 2014 include €4,342 thousand in dividends receivable from SIIC de Paris.

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	30 June 2014	31 December 2013
Increases	(93)	(434)
Reversals	197	818
Bad debt write-offs, net of recoveries	(6)	(2)
Total	**98**	**382**
Rents	73,830	149,315
Net losses as a % of property rentals	**-0.13%**	**-0.26%**

6-9) Other current assets

	30 June 2014	31 December 2013
Accrued interest on hedging instruments	-	-
Income tax prepayments	58	1,345
Other prepayments	2,796	249
Total	**2,854**	**1,594**

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

6-10) Cash and cash equivalents

	30 June 2014	31 December 2013
Cash at bank and in hand	2,410	344
Short-term investments	28,830	28,688
Total	**31,240**	**29,032**

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

	30 June 2014	31 December 2013
Rothschild money market funds	1,298	1,397
Crédit Agricole money market funds	9,828	10,271
Natixis money market funds	17,704	17,019
Total	**28,830**	**28,688**

6-11) 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:

	31 December 2013	Increases	Decreases	30 June 2014
Number of shares	439,531	97,402	119,810	417,123
Average purchase/sale price, in euros	€57.51	€46.78	€47.09	€57.99
Total, in thousands of euros	**25,276**	**4,556**	**(5,642)**	**24,190**

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

6-12) Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion		Short-term portion	
			30 June 2014	31 December 2013	30 June 2014	31 December 2013
Bonds:						
2011 €500 million issue	4.63%	25 May 2016	500,000	500,000	2,344	14,001
2012 €500 million issue	3.50%	28 Nov. 2017	500,000	500,000	10,308	1,630
Bank loans						
Natixis syndicated loan	3-month Euribor + 215 bps (end of drawdown period)	17 Dec. 2015	0	0	0	0
BNP Paribas syndicated loan	3-month Euribor + 200 bps (end of drawdown period)	4 July 2018	140,000	50,000	462	149
BECM revolving facility 20067	3-month Euribor + 50 bps (end of drawdown period)	23 April 2014	0	0	0	150,013
BECM revolving facility 2014	3-month Euribor + 165 bps (end of drawdown period)	23 April 2019	145,000	0	227	0
CADIF	1-month Euribor + 80 bps (end of drawdown period)	31 Dec. 2014	0	0	30,001	18,001
Natixis - Deka - Deutsche Hypo	3-month Euribor + 185 bps (calendar quarter end)	25 Sept. 2017	201,169	202,199	2,827	2,789
Lease liabilities:						
131, Wagram	3-month Euribor + 200 bps (calendar quarter end)	14 June 2016	28,666	30,061	2,790	2,790
Hedging instruments with a negative fair value:						
Natixis - Deka - Nord LB swaps	0.8825%	25 Sept. 2017	3,528	639	171	208
Bank overdrafts	Various		0	0	27,723	30,576
Current account advances	Various		73,216	71,994	206	365
Impact of deferred recognition of debt arranging fees:			(8,226)	(9,570)	(4,473)	(4,262)
Total			**1,583,353**	**1,345,323**	**72,586**	**216,260**

The following table analyses borrowings by maturity:

	30 June 2014	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2013
Syndicated loans	140,462	462	140,000	-	50,149
Bonds	1,012,651	12,651	1,000,000	-	1,015,631
BECM revolving facility	145,227	227	145,000	-	150,013
Natixis-Deka-Deutsche Hypo loan	203,997	2,827	201,170		204,988
Lease financing	31,456	2,790	28,666	-	32,851
CADIF loan	30,001	30,001	-	-	18,001
Current account advances (liabilities)	73,422	206	73,216	-	72,359
Deferred debt arranging fees	(12,699)	(4,473)	(8,226)	-	(13,832)
Natixis - Deka -Nord LB swaps	3,699	171	3,528	-	847
Bank overdrafts	27,723	27,723	-	-	30,576
Total	1,655,939	72,586	1,583,353	-	1,561,583

At 30 June 2014, SFL had access to confirmed undrawn lines of credit in the amount of €615,000 thousand, versus €700,000 thousand at 31 December 2013.
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 2014.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 30 June 2014	Actual ratios at 31 December 2013	Acceleration clauses(1)
NATIXIS SYNDICATED LOAN	Loan-to-value (LTV) <= 50%	**36.1%**	**35.8%**	Loan default
	Interest cover >= 2x	**2.2**	**2.3**	Cross default Termination of operations
	Secured LTV <= 20%	**5.8%**	**5.8%**	Bankruptcy proceedings Breach of financial covenants Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	**€3.5 billion**	**€3.3 billion**	Material adverse event
BNP PARIBAS SYNDICATED LOAN	LTV <= 50%	**36.1%**	**35.8%**	Loan default
	Interest cover >= 2x	**2.2**	**2.3**	Cross default Termination of operations
	Secured LTV <= 20%	**5.8%**	**5.8%**	Bankruptcy proceedings Breach of financial covenants Loss of SIIC status
	Unrestricted property portfolio value >= €2bn	**€3.5 billion**	**€3.3 billion**	Material adverse event
BECM REVOLVING FACILITY	Loan-to-value (LTV) <= 50%	**36.1%**	-	Loan default
	Interest cover >= 2x	**2.2**	-	Cross default Termination of operations
	Secured LTV <= 20%	**5.8%**	-	Bankruptcy proceedings Breach of financial covenants Loss of SIIC status
	Property portfolio value > €2bn	**€3.5 billion**	-	Material adverse event

(1) non-exhaustive list

The Group was not in breach of any of its financial covenants at 30 June 2014.

6-13) Short and long-term provisions

	31 December 2013	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	30 June 2014
Provisions for taxes other than on income	-	-	-	-	-	-
Provisions for employee benefits	582	91	-	-	147	821
Long-term provisions	**582**	**91**	**-**	-	**147**	**821**
Provisions for refurbishment work and tenant claims	181	235	(14)	-	-	401
Provisions for employee benefits	303	-	(14)	-	-	289
Short-term provisions	**484**	**235**	**(28)**	-	**-**	**690**
Total	**1,066**	**326**	**(28)**	-	**147**	**1,510**

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €821 thousand.

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including a discount rate of 2.29% and a 2.00% rate of future salary increases. Actuarial gains and losses are recognized in equity.
The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: the lump sum benefit payable under this plan is 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 €30 thousand at 30 June 2014 and €20 thousand at 31 December 2013.

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.

6-14) Deferred taxes

See Note 6-32.

6-15) Other long-term tax liabilities

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.

Due	2015	2016	2017	Total
Amount payable	-	2,772	2,681	5,453

6-16) Other non-current liabilities

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

6-17) Trade and other payables

	30 June 2014	31 December 2013
Trade payables	13,122	5,717
Amounts due within one year on asset acquisitions	27,992	30,764
Total	**41,114**	**36,481**

At 30 June 2014, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including #Cloud (81/83 rue de Richelieu) and 90 Champs-Elysées.

6-18) Other current liabilities

Other current liabilities break down as follows:

	30 June 2014	31 December 2013
Deposits	1,515	1,515
Customer prepayments	13,070	12,400
Accrued payroll costs	3,599	4,873
Accrued taxes	8,127	6,831
Other liabilities	3,761	3,297
Accruals	6,900	6,528
Total	**36,972**	**35,443**

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

Accrued taxes include the 2015 exit tax instalment due on the In/Out property in Boulogne and the Rives de Seine property in Paris.

The amounts reported under “Accruals” correspond to deferred revenue.

6-19) Net property rentals

The Group’s principal business is the rental of office and retail properties, which account for 97.4% of property rentals. Net property rentals take into account the positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In first-half 2014, this impact was €8,606 thousand.

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

	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Rent	628,819	141,607	385,303	101,908

	First-half 2014	First-half 2013
Property rentals	**73,830**	**74,634**
Property operating expenses	(18,202)	(20,672)
Property expenses recovered from tenants	13,440	14,299
Property expenses, net of recoveries	**(4,761)**	**(6,373)**
Net property rentals	**69,069**	**68,261**

6-20) Service and other revenues

Service and other revenues amounted to €0 thousand in first-half 2014, compared with €28 thousand in first-half 2013.

6-21) Other income

	First-half 2014	First-half 2013
Own-work capitalised	570	215
Other income	(180)	479
Total	**390**	**694**

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

6-22) Depreciation and amortisation expense

	First-half 2014	First-half 2013
Amortisation of intangible assets	(123)	(77)
Depreciation of property and equipment	(368)	(364)
Total	**(491)**	**(441)**

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.

6-23) Provision (expense)/reversals, net

	First-half 2014	First-half 2013
Charges to provisions for impairment of current assets	(94)	(356)
Charges to provisions for operating contingencies and charges	(235)	(55)
Charges to provisions for other contingencies and charges	(91)	(213)
Total charges	**(420)**	**(624)**
Reversals of provisions for impairment of current assets	197	754
Reversals of provisions for operating contingencies and charges	15	-
Reversals of provisions for other contingencies and charges	14	1,216
Total reversals	**226**	**1,970**
Total	**(194)**	**1,346**

6-24) Employee benefits expense

	First-half 2014	First-half 2013
Wages and salaries	(3,774)	(3,491)
Social security taxes	(1,570)	(1,599)
Death and disability insurance	(38)	(39)
Other payroll taxes	(273)	(333)
Other employee benefits	(287)	(273)
Statutory and discretionary profit-sharing	(235)	(98)
Total	**(6,177)**	**(5,832)**

The Group had 72 administrative staff and 2 building staff at 30 June 2014 versus 75 and 2 respectively at 30 June 2013.

The remuneration paid to Company directors and officers (including bonuses, benefits in kind, corporate savings plan rights and termination benefits) amounted to €2,555 thousand in first-half 2014 and €2,123 thousand in first-half 2013.

Stock options at 30 June 2014

Date of shareholder authorisation	**21 April 2005**
Grant date	**13 March 2007**
Number of shares under option	282,418
Issuer	SFL
Starting date of exercise period	13 March 2007
Option expiry date	13 March 2015
Exercise price (options exercisable for newly-issued shares)	
Exercise price (options exercisable for shares bought back for this purpose)	€60.11
Number of options at 1 January 2014	208,297
Options granted during the period	-
Options exercised during the period	-
Options cancelled during the period	6,250
Number of options outstanding at 30 June 2014	**202,047**

To calculate the cost of the stock option plans, the options were valued at the grant date using the Black & Scholes method.

Details of performance share plans at 30 June 2014

	Plan 1		
Date of shareholder authorisation	9 May 2011		
Grant date	16 February 2012	5 March 2013	4 March 2014
End of vesting period:	31 December 2014	31 December 2015	31 December 2016
Expected vesting rate	70.83%	70.83%	70.83%
Target number of shares	32,988	35,144	33,981
Number of shares expected to vest	23,366	24,892	24,069
Fair value per share	€29.08	€31.65	€31.48
Rights forfeited (vesting conditions not met)	(2,356)	(2,273)	(94)
Number of shares expected to vest at 30 June 2014	**21,011**	**22,619**	**23,975**

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 2014 amounted to €287 thousand (excluding specific employer contributions).

During first-half 2014, 20,516 shares were allocated under the 2012 Plan 2.

6-25) Other expenses

	First-half 2014	First-half 2013
Purchases	(52)	(56)
General subcontracting	(221)	(201)
Rent (operating leases)	(549)	(552)
Maintenance and repairs	(76)	(89)
Fees	(818)	(920)
Publications and public relations	(366)	(370)
Bank charges	(130)	(136)
Taxes other than on income	(603)	(943)
Travel and entertainment	(183)	(198)
Non-recurring expenses	(45)	(108)
Other	(646)	(642)
Total	**(3,689)**	**(4,214)**

6-26) Profit/(loss) on disposal of investment properties

This concerns the sale of furniture from the Citadine hotel.

6-27) Gains and losses from remeasurement at fair value of investment properties

Details of gains and losses from remeasurement of investment properties at fair value are provided in Notes 6-3 and 6-7.

6-28) Share of profits of associates

This item, representing a negative amount of €2,176 thousand, corresponds to SFL's share of SIIC de Paris's loss for the period.

6-29) Finance costs and other financial income and expenses

	First-half 2014	First-half 2013
Interest on bank loans	(27,522)	(26,382)
Interest on lease liabilities	(434)	(762)
Interest on external current account advances	(397)	(427)
Hedging losses	(539)	(1,989)
Other financial expenses	(2,200)	(2,333)
Finance costs and other financial expenses	**(31,093)**	**(31,892)**
Interest income	9	6
Net gains on sales of short-term investments	42	32
Hedging gains	-	-
Financial expense transfers	3,435	5,555
Other financial income	60	80
Financial income	**3,546**	**5,673**
Finance costs and other financial income and expenses, net	**(27,547)**	**(26,219)**

In first-half 2014, financial expense transfers correspond to interest capitalized at the rate of 3.39% on the #Cloud property at 81-83 rue de Richelieu during the redevelopment period.

6-30) Financial instruments

Financial risk management objectives and policy

In the difficult and changing financial market 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 2014, SFL had access to confirmed undrawn lines of credit in the amount of €615 million, compared with €700 million at 31 December 2013. With its available credit lines, diversified debt structure and high quality assets, SFL manages its liquidity risk prudently and effectively.

2/ Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. The contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized 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 2014.
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 2014, 78% of debt was hedged against interest rate risks.

b/ Risk assessment

The average spot cost of debt after hedging stood at 3.36% at 30 June 2014, versus 3.34% at 31 December 2013.

A 50-basis point rise in interest rates across the yield curve in first-half 2014 would have had the effect of increasing the average cost of debt to 3.49%, lifting finance costs for the period by 3.2% or €1,004 thousand. A 50-basis point decline in interest rates across the yield curve would have had the effect of reducing the average cost of debt to 3.24%, lowering finance costs for the period by 3.1% or €968 thousand.

As for the sensitivity of hedging instruments at 30 June 2014, a 50-basis point increase in interest rates would lift their fair value by €2,895 thousand (€3,265 thousand at 31 December 2013), while a 50-basis point drop in rates would reduce their fair value by €2,958 thousand (€3,344 thousand at 31 December 2013).

Interest rate risk

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

	30 June 2014	**30 June 2015**	**30 June 2016**	**30 June 2017**	**30 June 2018**
Syndicated loans	140,000	140,000	140,000	140,000	140,000
BECM revolving facility	145,000	145,000	145,000	145,000	145,000
Natixis-Deka-Deutsche Hypothekenbank loan	203,228	201,170	198,340	195,253	-
Lease liabilities	31,456	28,666	-	-	-
Current account advances	73,216	73,216	-	-	-
CADIF loan	30,000	-	-	-	-
Total floating rate debt	622,900	588,052	483,340	480,253	285,000
Natixis - Deka -Nord LB swaps	185,220	185,220	185,220	185,220	-
Total interest rate hedges	185,220	185,220	185,220	185,220	-
Net unhedged position	**437,680**	**402,832**	**298,120**	**295,033**	**285,000**

Accounting treatment of hedging instruments

The net change in value of hedging instruments between 31 December 2013 and 30 June 2014 was €2,888 thousand in favour of the banks, of which €2,933 thousand in fair value adjustments recorded as a deduction from equity and €46 thousand recognised in the statement of comprehensive income along with the gains and losses reclassified to profit or loss.

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 recognized directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified to the statement of comprehensive income over the remaining life of the hedged item.

In first-half 2014, cumulative losses of €4,615 thousand were reclassified to the statement of comprehensive income.

The net amount recorded in the statement of comprehensive income was therefore a negative €4,570 thousand.

Hedging portfolio

The hedging portfolio comprises interest hedges on the financing of the Parholding portfolio.

Counterparties: Natixis, Deka and Nord LB. *Description:* cash flow hedge. The 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 September 2017. SFL pays a fixed rate of 0.8825%.
At 30 June 2014, the contract had a negative fair value of €3,558 thousand

Measuring hedging instruments

All 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 2014, hedging instruments had a total negative fair value of €3,558 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 2014, credit risk represented a potential gain for SFL of €31 thousand.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 30 June 2014 was €1,072,395 thousand, as follows:

(in € thousands)	**Nominal value**	**Maturity**	**Fair value**
May 2011 bonds	500,000	May 2016	534,080
November 2012 bonds	500,000	November 2017	538,315
			1,072,395

6-31) Provision expense, net - financial assets

There were no movements on provisions on financial assets in first-half 2014.

6-32) 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	Statement of financial position 31 December 2013	Reclassifications	Equity	Statement of comprehensive income First-half 2014	Statement of financial position 30 June 2014
Gains/(losses) from remeasurement at fair value of investment properties	(118,217)	-	-	(11,340)	(129,557)
Hedging instruments	220	-	1,110	(116)	1,214
Adjustment of depreciation	(13,141)	-	-	(1,305)	(14,446)
Adjustment of property rentals	(1,996)	-	-	248	(1,748)
Capitalisation of interest expense and transaction costs	(501)	-	-	(20)	(521)
Other	(259)	-	-	(589)	(848)
Net	**(133,894)**	**-**	**1,110**	**(13,122)**	**(145,906)**
Of which: deferred tax assets	6	-	-	-	6
Of which: deferred tax liabilities	133,902	-	(1,110)	13,122	145,913

Current income tax expense for first-half 2014 amounted to €1,866 thousand versus €4,687 thousand for the year-earlier period. The decrease mainly reflected the inclusion in the first-half 2013 figure of €968 thousand arising from tax reassessments and €851 thousand in tax due on the interim dividend paid during that period.

6-33) Non-controlling interests in net profit

	First-half 2014	First-half 2013
SCI Washington	**7,016**	**5,906**
Property rentals	*3,444*	*3,131*
Gains and losses from remeasurement at fair value of investment properties	*3,633*	*3,118*
Net financial expense	*(264)*	
Parholding Group	**13,047**	**11,108**
Property rentals	*6,488*	*6,491*
Gains and losses from remeasurement at fair value of investment properties	*16,014*	*12,908*
Net financial expense	*(1,485)*	-
Deferred taxes	*(6,444)*	*(4,862)*
Current taxes	*(831)*	*(1,119)*
Total	**20,063**	**17,014**

6-34) 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.

	First-half 2014	First-half 2013
Profit used to calculate basic earnings per share	139,486	82,158
Number of ordinary shares at 30 June	46,528,974	46,528,974
Number of treasury shares at 30 June	(417,123)	(459,460)
Number of ordinary shares at 30 June excluding treasury shares	**46,111,851**	**46,069,514**
Earnings per share	€3.02	€1.78
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 30 June	(417,123)	(459,460)
Weighted average number of ordinary shares excluding treasury shares	**46,111,851**	**46,069,514**
Basic earnings per weighted average share	€3.02	€1.78

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.

6-35) Dividends

	First-half 2014		First-half 2013	
	Total	Per share	Total	Per share
Declared dividend for prior year	97,711	€2.10	65,141	€1.40
Prior year dividend paid in current period	64,541	€1.40	64,520	€1.40
Total	**96,795**	**€2.10**	**64,520**	**€1.40**

A total interim dividend of €32,254 thousand was paid in 2013.

6-36) Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 30 June 2014 are detailed below.

Mortgages on properties owned by the Parholding sub-group securing the 25 September 2012 loan.

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

	Total	Within 1 year	1 to 5 years	Beyond 5 years
Commitments given				
. Property guarantees	541	293	248	0
Commitments received				
. Guarantees received from tenants	25,820	4,623	4,692	16,505
. Guarantees received from suppliers	28,584	4,657	23,927	-
. Natixis syndicated line of credit	350,000	-	350,000	-
. BNP Paribas syndicated line of credit	260,000	-	260,000	-
. BECM revolving credit facility	5,000	-	5,000	-

Employee benefit obligations at 30 June 2014

Three 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 2014, the aggregate compensation that would be payable to these individuals amounted to €2,177 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 5 October 2010 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 2014, the Group's contractual commitments relating to investment properties undergoing renovation totalled €103,134 thousand and mainly concerned the #Cloud property (81-83 rue de Richelieu) for €75,111 thousand, and the 90 Champs-Elysées property for €12,727 thousand.

6-37) Note to the statement of cash flows

	First-half 2014	First-half 2013
Proceeds from disposals of intangible assets and property and equipment:		
Sale price	12	-
Transaction costs	-	-
Capital gains tax	-	-

Cash and cash equivalents at end of period:		
Short-term investments	28,830	23,140
Cash at bank and in hand	2,410	1,970
Short-term bank loans and overdrafts	(27,723)	(6,942)

Additional information

The impact of recognising rent-free periods as well as additions to and reversals of provisions for trade receivables is included in “Cash flow”.
Changes in deposits received from tenants are included in cash flows from operating activities.

6-38) Related party information

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

	First-half 2014	First-half 2013
Short-term benefits, excluding payroll taxes(1)	2,719	2,294
Payroll taxes on short-term benefits	984	928
Share-based payments(2)	261	217
Total	**3,964**	**3,439**

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

Société Foncière Lyonnaise

Société Anonyme

40, rue Washington
75008 PARIS

STATUTORY AUDITORS' REVIEW REPORT
ON THE 2014 HALF-YEARLY FINANCIAL INFORMATION

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Deloitte & Associés
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92524 Neuilly-sur-Seine Cedex

Société Foncière Lyonnaise
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40, rue Washington
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STATUTORY AUDITORS' REVIEW REPORT ON THE 2014 HALF-YEARLY FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by the 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 half-yearly consolidated financial statements of Société Foncière Lyonnaise, for the period from January 1st to June 30th 2014;
- the verification of the information contained in the half-yearly management report.

These half-yearly 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.

1. 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 half-yearly 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 June 30th, 2014 and of the results of its operations for the six-months period then ended, in accordance with IFRSs as adopted by the European Union.

2. Specific verification

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

Neuilly-sur-Seine, on July 24th, 2014,

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Philippe Guéguen Partner	Christophe Postel-Vinay Partner

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 2014 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, 24 July 2014

Nicolas Reynaud
Chief Operating Officer

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