INTERIM FINANCIAL REPORT

Six months ended 30 June 2016

CONTENTS

1. INTERIM MANAGEMENT REPORT

As of 30 June 2016, the composition of the Board of Directors of SFL was as follows:

Chairman of the Board:

- Juan José Brugera Clavero

Directors:

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

The financial statements for the six months ended 30 June 2016 were approved by the Board of Directors of Société Foncière Lyonnaise at its meeting held on 26 July 2016.

All of the Group's business indicators rose sharply during the period, representing the expected result of the portfolio's excellent occupancy rate as of 31 December 2015. In addition, in a Paris property market that is still highly valued by investors, the period saw a further rise in the portfolio's appraisal value and the Company's net asset value.

Consolidated data (€ millions)

	H1 2016	H1 2015	Change
Rental income	102.0	81.4	+25.3%
Operating profit before disposals and fair value adjustments	86.4	61.5	+40.5%
Attributable net profit	309.8	205.6	+50.7%
EPRA earnings	50.6	27.6	+83.1%

	30 June 2016	31 Dec. 2015	Change
Attributable equity	2,977	2,713	+9.7%
Consolidated portfolio value excluding transfer costs	5,520	5,242	+5.3%
Consolidated portfolio value including transfer costs	5,863	5,519	+6.2%
EPRA NNNAV	2,923	2,721	+7.4%
EPRA NNNAV per share	€62.8	€58.5	+7.4%

Results: very strong growth

- Rental income stood at €102.0 million in first-half 2016, compared with €81.4 million in the year-earlier period, an increase of €20.6 million (25.3%).

  - On a comparable portfolio basis, rental income rose by €7.9 million (10.5%) due in particular to the signature of a lease on the In/Out building which came into effect on 1 September 2015.
  - First-half 2016 rental income from properties that were undergoing renovation in the comparable period expanded by €9.7 million, corresponding mainly to rent on the #cloud.paris building delivered in November 2015 and fully let.
  - The acquisition of the Percier building in June 2015 generated a €0.8 million increase in rental income in first-half 2016.
  - In addition, first-half 2016 revenues were boosted by a €2.2 million lease termination penalty paid by a former tenant of the 103 Grenelle building

- Property expenses, net of recoveries stood at €6.4 million at 30 June 2016, an improvement of €3.0 million compared to 30 June 2015, thanks to an increase in building occupancy rates which boosted the recovery rate among a greater number of tenants, particularly at the In/Out building.

- Other income came out at €1.4 million at 30 June 2016, an increase of €0.6 million on the year-earlier period as a result of repair expenses received from departing tenants in first-half 2016.

- Corporate expenses totalled €9.6 million at 30 June 2016, an improvement of €0.9 million at 30 June 2015, due to a reduction in employee benefit expenses related to the free share programme; other corporate expenses remained stable.

- Consequently, operating profit before disposals and fair value adjustments rose by 40.5% to €86.4 million in first-half 2016 versus €61.5 million in the same period of 2015.

- The portfolio’s appraisal value on 30 June 2016 was 5.3% higher on a comparable basis than on 31 December 2015. The increase led to the recognition of positive fair value adjustments to investment properties of €285.8 million at 30 June 2016, versus positive adjustments of €217.3 million at 30 June 2015.

- Net finance costs amounted to €25.0 million in first-half 2016, compared with €27.9 million in the year-earlier period. Recurring finance costs were stable overall, at €24.3 million, with the lower average cost of debt offsetting the effect of higher total borrowings.

- After taking into account these key items, the Group reported attributable net profit for the period of €309.8 million versus €205.6 million in first-half 2015. EPRA earnings rose by 83.1% to €50.6 million in first-half 2016 from €27.6 million in the year-earlier period.

First-half 2016 Business Review

Rental operations

In a still selective rental market shaped by stable volumes in the Paris region compared to 2015, SFL signed leases on some 20,000 sq.m. in the first half, including new leases on around 13,000 sq.m.

The average nominal rent for these office leases stands at €646 per sq.m. and the effective rent at €554 per sq.m.

The occupancy rate for revenue-generating properties at 30 June 2016 was 97.9%, compared with 86.0% at 30 June 2015 and 95.6% at 31 December 2015.

Development operations

Capital expenditure in first-half 2016 amounted to €19.9 million and mainly corresponded to the remaining work on major development projects that have now been completed. The development pipeline at 30 June 2016 concerned approximately 6% of the Group's portfolio and mainly consisted of the retail units in the Louvre-Saint-Honoré complex for which a development project is currently being prepared.

Portfolio operations
In June 2016, SFL exercised its option to acquire the 131 Wagram building upon expiry of the finance lease.

No properties were divested during the first half of 2016.

Financing: lower average borrowing costs

Net debt at 30 June 2016 amounted to €1,868 million, compared with €1,841 million at 31 December 2015, representing a loan-to-value ratio of 31.9%. At that date, the average cost of debt after hedging was 2.0% and the average maturity was 4.8 years.

In May 2016, SFL obtained a new €150-million 5-year revolving credit facility from BNPP.

At 30 June 2016, SFL also had €580 million in undrawn back-up lines of credit.

Net Asset Value

The consolidated market value of the portfolio at 30 June 2016 was €5,520 million excluding transfer costs, an increase of 5.3% from €5,242 million at 31 December 2015.

The average rental yield (based on 100% occupancy) was 4.0% at 30 June 2016 versus 4.2% at 31 December 2015, reflecting the narrower yields observed on the Paris property market during the first half. The EPRA yield (topped-up NIY) was stable at 3.8%.

EPRA NNNAV stood at €2,923 million or €62.8 per share at 30 June 2016, compared with €58.5 per share at 31 December 2015, an increase of 7.4%.

Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	H1 2016	H1 2015
Attributable net profit	**309.8**	**205.6**
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment properties	(285.8)	(217.3)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.7	4.3
Tax on the above items	5.5	17.8
Non-controlling interests in the above items	20.4	17.3
EPRA earnings	**50.6**	**27.6**

API EPRA NNNAV

€ millions	30 June 2016	31 Dec. 2015
Attributable equity	**2,977**	**2,713**
Treasury shares	13	17
Unrealised capital gains	15	14
Fair value adjustments to fixed rate debt	(82)	(23)
EPRA NNNAV	**2,923**	**2,721**

2. Risk Factors

The risk factors described below are those which could have a material adverse effect on SFL, its business, financial position, results or share price and which are important to take into account when making investment decisions.
Risk factors are discussed on **pages 24 to 30** of the **2015 Financial and Legal Report** contained in the **2015 Annual Report** filed with the Autorité des marchés financiers (AMF) on 5 April 2016.
The information in the 2015 Annual Report is incorporated here by reference, with further detail provided where necessary to describe material changes in these risk factors.

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

1. Liquidity risk

Liquidity risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2016) on page 32 of this document (see Note V-25 "Financial instruments").

2. Counterparty risk

Counterparty risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2016) on page 33 of this document (see Note V-25 "Financial instruments").

3. Currency risk

SFL had no exposure to currency risks at 30 June 2016.

4. Interest rate risk

Interest rate risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2016) on pages 33 and 34 of this document (see Note V-25 "Financial instruments").

a - Objectives and strategy
Risk management objectives and strategy are discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2016) on page 33 of this document (see Note V-25 "Financial instruments").

b - Risk assessment
Risk measurement is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2016) on page 34 of this document (see Note V-25 "Financial instruments").

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

These risks are discussed on page 25 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

6. Asset valuation risks

These risks are discussed on page 26 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

7. Risks associated with a highly competitive environment

These risks are discussed on page 26 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

8. Tenant risks

These risks are discussed on page 26 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

9. Risks associated with the availability and cost of financing

These risks are discussed on page 26 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

10. Risks associated with the loss of key personnel

These risks are discussed on page 26 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

11. Risks associated with subcontractors and other service providers

These risks are discussed on page 26 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

12. Risks associated with the regulatory environment

These risks are discussed on page 27 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

13. Administrative risks

These risks are discussed on page 27 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

14. Risks of neighbourhood complaints

These risks are discussed on page 27 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

15. Risks associated with the majority shareholder

These risks are discussed on page 28 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

16. Risks associated with the SIIC tax regime

These risks are discussed on pages 28 to 30 of the 2015 Financial and Legal Report contained in the 2015 Annual Report.

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

Related-party transactions

Related party transactions are discussed in the Notes to the Interim Consolidated Financial Statements on page 38 of this document, in section V-32 ("Related-party information").

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

SOCIÉTÉ FONCIÈRE LYONNAISE

SIX MONTHS ENDED 30 JUNE 2016

The interim consolidated financial statements were approved for publication by the Board of Directors on 26 July 2016.

A – Consolidated Statement of Financial Position

(in thousands of euros) ASSETS	Notes Section E	30 June 2016	31 Dec. 2015
Intangible assets	V-1	2,144	2,512
Property and equipment	V-2	22,356	22,200
Investment properties	V-3	5,406,363	5,098,496
Non-current financial assets	V-4	697	696
Other non-current assets	V-5	335	301
Total non-current assets		**5,431,895**	**5,124,205**
Trade and other receivables	V-6	99,893	81,451
Other current assets	V-7	3,191	446
Cash and cash equivalents	V-8	14,104	12,487
Total current assets		**117,188**	**94,384**
Total assets		**5,549,083**	**5,218,589**

(in thousands of euros) EQUITY AND LIABILITIES	Notes Section E	30 June 2016	31 Dec. 2015
Share capital		93,058	93,058
Reserves		2,573,920	2,127,433
Profit for the period		309,780	492,861
Equity attributable to owners of the parent		**2,976,758**	**2,713,352**
Non-controlling interests		339,416	317,735
Total non-controlling interests		**339,416**	**317,735**
Total equity	**V-9**	**3,316,174**	**3,031,087**
Long-term borrowings and derivative instruments	V-10	1,884,164	1,704,551
Long-term provisions	V-11	1,029	1,011
Deferred tax liabilities	V-12	178,162	186,991
Accrued taxes	V-13	8,990	2,857
Other non-current liabilities	V-14	18,540	17,637
Total non-current liabilities		**2,090,885**	**1,913,047**
Trade and other payables	V-15	20,326	18,877
Short-term borrowings and other interest-bearing debt	V-10	74,474	213,053
Short-term provisions	V-11	356	570
Other current liabilities	V-16	46,868	41,955
Total current liabilities		**142,024**	**274,455**
Total equity and liabilities		**5,549,083**	**5,218,589**

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2016	First-half 2015
Rental income		101,964	81,350
Property expenses, net of recoveries		(6,401)	(9,417)
Net rental income	**V-17**	**95,563**	**71,933**
Other income	V-18	1,433	854
Depreciation and amortisation expense	V-19	(942)	(527)
Provision (expense)/reversals, net	V-20	(27)	(209)
Employee benefits expense	V-21	(5,778)	(6,749)
Other expenses	V-22	(3,854)	(3,809)
Profit on disposal of other assets		-	9
Profit/(loss) on disposal of investment properties		-	-
Fair value adjustments on investment properties	V-23	285,779	217,347
Operating profit		**372,174**	**278,849**
Financial expenses	V-24	(24,319)	(27,603)
Financial income	V-24	7	3,638
Fair value adjustments on financial instruments	V-25	(1,253)	(3,838)
Discounting adjustments to receivables and payables		526	(134)
Change in provision for financial assets, net		-	-
Profit before income tax		**347,135**	**250,912**
Income tax expense	V-26	(9,740)	(22,285)
Profit for the period		**337,395**	**228,627**
Attributable to owners of the parent		**309,780**	**205,569**
Attributable to non-controlling interests	V-27	27,615	23,059

Other comprehensive income			
Actuarial gains and losses	V-11	39	95
Other items		-	-
Items that will not be reclassified to profit or loss		39	95
Valuation gains and losses on financial instruments (cash flow hedges)	V-25	1,253	4,424
Deferred tax impact of valuation gains and losses on financial instruments	V-26	-	(104)
Items that may be reclassified subsequently to profit or loss		1,253	4,319
Other comprehensive income		**1,292**	**4,414**
Comprehensive income		**338,687**	**233,041**
Attributable to owners of the parent		**311,072**	**209,883**
Attributable to non-controlling interests		27,615	23,158
Earnings per share	V-28	€6.71	€4.45

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2014	**93,058**	**839,668**	**22,621**	**(18,517)**	**(3,097)**	**1,193,334**	**197,737**	**2,324,803**	**268,571**
Movements for the period									
Profit for the period	-	-	-	-	-	-	205,569	205,569	23,059
Other comprehensive income, net of tax	-	-	-	-	4,220	95	-	4,315	99
Comprehensive income	**-**	**-**	**-**	**-**	**4,220**	**95**	**205,569**	**209,883**	**23,159**
Appropriation of profit	-	31,875	-	-	-	165,862	(197,737)	-	-
Treasury share transactions	-	-	-	1,865	-	-	-	1,865	-
Gains and losses on sales of treasury shares	-	-	-	(1,761)	-	-	-	(1,761)	-
Share-based payments	-	-	-	-	-	886	-	886	-
Dividends paid to owners of the parent	-	(64,624)	-	-	-	-	-	(64,624)	(3,910)
Other adjustments	-	-	-	-	-	(262)	-	(262)	-
Equity at 30 June 2015	**93,058**	**806,919**	**22,621**	**(18,414)**	**1,123**	**1,359,914**	**205,569**	**2,470,790**	**287,819**
Movements for the period									
Profit for the period	-	-	-	-	-	-	287,292	287,292	29,215
Other comprehensive income, net of tax	-	-	-	-	2,264	186	-	2,450	701
Comprehensive income	**-**	**-**	**-**	**-**	**2,264**	**186**	**287,292**	**289,742**	**29,916**
Appropriation of profit	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	28	-	-	-	28	-
Gains and losses on sales of treasury shares	-	-	-	19	-	-	-	19	-
Share-based payments	-	-	-	-	-	979	-	979	-
Dividends paid to owners of the parent	-	(48,467)	-	-	-	-	-	(48,467)	-
Changes in scope of consolidation	-	-	-	-	-	262	-	262	-
Equity at 31 December 2015	**93,058**	**758,452**	**22,621**	**(18,367)**	**3,387**	**1,361,341**	**492,861**	**2,713,352**	**317,735**
Movements for the period									
Profit for the period	-	-	-	-	-	-	309,780	309,780	27,615
Other comprehensive income, net of tax	-	-	-	-	1,253	39	-	1,292	-
Comprehensive income	**-**	**-**	**-**	**-**	**1,253**	**39**	**309,780**	**311,072**	**27,615**
Appropriation of profit	-	(26,202)	-	-	-	519,063	(492,861)	-	-
Treasury share transactions	-	-	-	1,823	-	-	-	1,823	-
Gains and losses on sales of treasury shares	-	-	-	(1,473)	-	-	-	(1,473)	-
Share-based payments	-	-	-	-	-	490	-	490	-
Dividends paid to owners of the parent	-	(48,855)	-	-	-	349	-	(48,506)	(5,934)
Equity at 30 June 2016	**93,058**	**683,395**	**22,621**	**(18,017)**	**4,640**	**1,881,282**	**309,780**	**2,976,758**	**339,416**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2016	First-half 2015
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		309,780	205,569
Fair value adjustments on investment properties	V-23	(285,779)	(217,347)
Depreciation and amortisation expense (excluding impairment)	V-19	942	527
Net additions to/(reversals of) provisions		(157)	148
Net (gains)/losses from disposals of assets, after tax		-	(9)
Discounting adjustments and valuation (gains)/losses on financial instruments		727	3,972
Deferral of rent-free periods and key money	V-17	(18,034)	(6,627)
Employee benefits	V-21	490	886
Non-controlling interests in profit for the period	V-27	27,615	23,059
Other movements		-	-
Cash flow after finance costs and income tax		**35,584**	**10,178**
Finance costs	V-24	24,312	23,965
Income tax	V-26	9,740	22,285
Cash flow before finance costs and income tax		**69,636**	**56,427**
Change in working capital		(1,120)	(512)
Interest paid		(11,735)	(21,074)
Interest received		7	59
Income tax paid		(4,981)	(8,294)
Net cash provided by operating activities		**51,807**	**26,605**
Cash flows from investing activities			
Acquisitions of and improvements to investment properties	V-31	(25,731)	(140,365)
Acquisitions of intangible assets and property and equipment		(729)	(1,046)
Proceeds from disposals of investment properties, intangible assets and property and equipment	V-31	-	11
Other cash inflows and outflows		-	(4)
Net cash used by investing activities		**(26,460)**	**(141,404)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		-	-
Purchases and sales of treasury shares, net		350	104
Dividends paid to owners of the parent	V-29	(48,506)	(64,624)
Dividends paid to non-controlling interests		(5,934)	(3,910)
Proceeds from new borrowings		371,448	175,046
Repayments of borrowings		(344,421)	(3,784)
Other movements in financing items		-	-
Net cash used by financing activities		**(27,063)**	**102,833**
Net change in cash and cash equivalents		**(1,717)**	**(11,965)**
Cash and cash equivalents at beginning of period		(9,570)	(9,270)
Cash and cash equivalents at end of period	V-31	(11,287)	(21,235)
Net change in cash and cash equivalents		**(1,717)**	**(11,965)**

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

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

I - 1) Accounting standards

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

The following new standards and interpretations published by the IASB had not been adopted by the European Union or were not yet applicable and were not early adopted as of 30 June 2016:

- IFRS 15 – Revenue from Contracts with Customers. This introduces a common standard for recognising revenue from contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for financial periods commencing on or after 1 January 2018. It is not expected to have a material impact on the Group's financial statements.
- IFRS 16 – Leases. In accordance with this standard, all leases must be recognised in the financial statements of the lessee. The standard is effective for financial periods commencing January 2019, and will not have a material impact on the financial statements.
- IFRS 9 – Financial Instruments. This standard overhauls the classification and measurement of financial assets and financial liabilities, impairment methodology and hedge accounting. The Group currently has no financial instruments for which hedge accounting is required.
- Amendments to IFRS 10, IFRS 12, and IAS 28 to clarify applying the consolidation exception for investment entities. These amendments are not expected to have a material impact on the Group's financial statements.

The amendment to IAS 1 – Presentation of Items of Other Comprehensive Income, is effective for the Group's financial statements as of 1 January 2016. It is designed to improve the presentation and quality of information disclosed in the financial statements.

The following new standards and interpretations effective as of 1 January 2016 have no material impact on the Group's financial statements and have not been applied:

- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation.
- Annual Improvements to IFRSs 2012–2014 Cycle (particularly IFRS 7 – Financial Instruments: Disclosures, and IAS 34 – Interim Financial Reporting).

I - 2) Accounting conventions

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

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

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

The Group has chosen to measure investment properties using the fair value model (see Note II-3).

II - Measurement Methods

II - 1) Intangible assets

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

II - 2) Property and equipment

Property and equipment consist mainly of furniture, computer equipment and owner-occupied property. Owner-occupied property is property held by the owner for use in the production or supply of goods or services or for administrative purposes. The only property in this category is the section of the Washington Plaza building used by the Group for administrative purposes.

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16. Depreciation is calculated by the straight-line method over the asset's estimated useful life. Each part of an item of property or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Washington Plaza owner-occupied property:	
Shell	105 to 118 years
Roof, windows, doors	8 to 24 years
Fixtures, fittings and installations	5 to 29 years
Other owner-occupied properties:	
Fixtures and installations	2 to 20 years
Fittings and equipment	5 to 10 years
IT and other equipment	2 to 5 years

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

II - 3) Investment properties

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

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

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

Changes in fair value, which are recognised in the statement of comprehensive income under "Fair value adjustments on investment properties", are calculated as follows:
Change in fair value = Market value at the period-end – Market value at the prior period-end – Work and other costs capitalised during the period.

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

Valuation method

The Group's entire property portfolio was valued at 30 June 2016 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.
The valuations were performed in accordance with the *Charte de l'Expertise en Evaluation Immobilière* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states:

"Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:

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

The Group'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 total value of the properties, excluding transfer costs):

- CBRE: 35%
- Jones Lang LaSalle: 24%
- BNP Paribas Real Estate: 41%

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

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

The results obtained are then compared to market data and adjusted, if necessary, to obtain a market-consistent value. However, given that these appraisal values are essentially estimates that are sensitive to changes in rental values and discount rates, the proceeds from the sale of certain property assets may be different to their appraisal value, even if the sale takes place within a few months of the period-end.

The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 7.5% rate for all properties subject to registration duty as of 1 January 2016 and 1.80% for properties subject to VAT) and excluding transfer costs and acquisition expenses.

II - 4) Measurement of investment properties at fair value

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

Fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The valuation of investment properties (see Note II-3) takes into account this definition of fair value.

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

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

Some buildings could not be valued according to their highest and best use, including the Louvre Saint-Honoré building in Paris. This is because layout changes could lead to an upward revaluation of the building's retail area. However, given the related technical and legal uncertainties, this building cannot be taken into account in the fair value measurements.

II - 5) 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.

II - 6) Rental receivables

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

II - 7) Cash and cash equivalents

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

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

II - 8) 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.

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

II - 9) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted.
This applies to the exit tax payable in four annual instalments following election for SIIC status.
Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation. The present value measurement is performed using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

II - 10) Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the statement of comprehensive income, the provision expense is presented net of the amount recognised for the reimbursement.

II - 11) Employee benefits

Employee benefits consist mainly of length-of-service awards payable to employees on retirement. Long-term employee benefits are recognised in the period in which the qualifying service is rendered by the employee. They are discounted at a rate defined in IAS 19. Short-term employee benefits are recognised in current liabilities and in expenses for the period. They are calculated at six-monthly intervals based on actuarial assumptions. Actuarial gains and losses are included in "Other comprehensive income". The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative.

II - 12) Treasury shares

Treasury shares are recorded as a deduction from equity.

II - 13) Share-based payments (IFRS 2)

The total cost of each performance share plan is calculated at the grant date by multiplying the number of performance share rights that are expected to vest by the fair value per share.
The fair value of the performance shares is determined using the Capital Asset Pricing Model (CAPM), based on the share price on the grant date, adjusted for the discounted present value of future dividends payable during

the vesting period. The number of shares expected to vest corresponds to the target number of allocated shares multiplied by the estimated vesting rate, taking into account each plan's specific vesting conditions.
The total cost calculated as explained above is recognised on a straight-line basis over the vesting period. The estimated vesting rate and the resulting estimated total cost are adjusted at each period end to take account of the latest estimate of the number of shares expected to vest.
Details of the Group's performance share plans are provided in Note V-21.

II - 14) 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.
At 30 June 2016, the Group no longer held any finance leases after exercising its option to acquire the 131 Wagram building.

II - 15) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates. These instruments are measured at fair value at each period-end.
Financial instruments are measured using standard market valuation methods – corresponding to Level 2 inputs in the fair value hierarchy (see Note II-4) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.
For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.
For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.

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

For derivative instruments that do not qualify for hedge accounting, fair value adjustments are recognised in profit.

At 30 June 2016, the Group no longer held any derivative financial instruments. However, its financial statements are still affected by the unwinding of derivative instruments held in previous financial years.

II - 16) Accrued taxes

In accordance with IFRIC 21, which has been applicable since 1 January 2015, taxes that are not recoverable from tenants are recognised as soon as the obligation to pay them is triggered.

II - 17) 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 specific revenue recognition criteria applied by the Group are as follows:

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

Specific lease terms
Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation.

In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step up clauses are recognised over the non-cancellable lease term.

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

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

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

II - 18) Income tax expense

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

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

II - 19) 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 II-3).

All of the Group's financial instruments are measured using standard market valuation models (see Note II-15).

III - Segment Information

The Group's properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as a separate reportable segment. They are grouped into geographical segments according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Property rentals	76,898	8,738	16,328	-	101,964
Property expenses, net of recoveries	(4,741)	(57)	(1,603)	-	(6,401)
Net property rentals	**72,157**	**8,681**	**14,725**	**-**	**95,563**
Other income	872	3	483	75	1,433
Depreciation and amortisation expense	-	-	-	(942)	(942)
Provision (expense)/reversals, net	(71)	-	2	42	(27)
Employee benefits expense	-	-	-	(5,778)	(5,778)
Other expenses	-	-	-	(3,854)	(3,854)
Profit on disposal of other assets	-	-	-	-	-
Fair value adjustments on investment properties	234,695	22,611	28,473	-	285,779
Operating profit	**307,653**	**31,295**	**43,683**	**(10,457)**	**372,174**
Finance costs and other financial expenses	-	-	-	(24,319)	(24,319)
Financial income	-	-	-	7	7
Fair value adjustments on financial instruments	-	-	-	(1,253)	(1,253)
Discounting adjustments to receivables and payables	-	-	-	526	526
Change in provision for financial assets, net	-	-	-	-	-
Profit before income tax	**307,653**	**31,295**	**43,683**	**(35,496)**	**347,135**
Income tax expense	(6,046)	-	-	(3,694)	(9,740)
Profit for the period	**(301,607)**	**31,295**	**43,683**	**(39,190)**	**337,395**
Attributable to owners of the parent	**270,939**	**31,295**	**43,683**	**(36,138)**	**309,780**
Attributable to non-controlling interests	30,668	-	-	(3,052)	27,615

Other comprehensive income					
Actuarial gains and losses	-	-	-	39	39
Other	-	-	-	-	-
Items that will not be reclassified to profit or loss	-	-	-	39	39
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	1,253	1,253
Deferred tax impact of valuation gains and losses on financial instruments	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	1,253	1,253
Other comprehensive income	**-**	**-**	**-**	**1,292**	**1,292**
Comprehensive income	**301,607**	**31,295**	**43,683**	**(37,898)**	**338,687**
Attributable to owners of the parent	**270,939**	**31,295**	**43,683**	**(34,846)**	**311,072**
Attributable to non-controlling interests	30,668	-	-	(3,052)	27,615

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Segment assets	4,293,010	400,477	712,876	39,442	5,445,805
Unallocated assets	-	-	-	103,278	103,278
Total assets	**4,293,010**	**400,477**	**712,876**	**142,720**	**5,549,083**

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

No segment analysis of liabilities is presented, as they correspond primarily to unsecured financing for general corporate purposes and unsecured bonds that are not allocated to any specific segment.
The Group's main geographical segments are as follows:

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

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

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

These 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

IV - 1) Redevelopment and renovation programmes

Following delivery of the #cloud.paris building in November 2015 and the Le Vaisseau building in January 2016, both fully let, buildings undergoing development represented only 6% of the Group's portfolio at 30 June 2016, around half of which concerned the redevelopment of the Louvre Saint-Honoré building's retail area.

In the first half of 2016, the SFL Group let approximately 13,000 sq.m. of space to new tenants, including 3,000 sq.m. of office space in the #cloud.paris building. New leases for approximately 6,000 sq.m. were also signed with existing tenants, securing their future tenancy and extending the average term of leases.

Apart from exercising its option to acquire 131 Wagram on expiry of the lease (see Financing section below), the Group did not make any other acquisitions or disposals during the first half of 2016.

IV - 2) Financing

In May 2016, SFL redeemed the outstanding €155.8 million of the 4.625% bond issued in May 2011, thus reducing the average cost of its debt.

In the same month, it obtained a five-year €150-million credit facility from BNP Paribas, comprising a €100 million revolving credit facility and a €50 million term loan.

In addition, SFL exercised its option to buy the 131 Wagram property on 14 June 2016 at the contract price of €26 million upon expiry of the related finance lease. As from the date of exercise, the property has been eligible for SIIC tax exemption, triggering an exit tax payable for an amount of €13 million.

IV - 3) Tax audits

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

The reassessment – which concerns the allocation of expenses between SIIC activities and activities subject to corporate income tax – has been contested by SFL. It had no impact on the 2014 or 2015 consolidated financial statements, because no deferred tax asset had been recognised for the tax loss carry-forwards concerned.

There are currently no tax audits in progress.

IV - 4) Appraisal value

Effective from 1 January 2016, sales of properties completed more than five years previously are subject to transfer taxes at an overall rate of 7.5% versus 6.2% (Paris) or 6.9% (outside Paris) in 2015. The impact of the increased rate had already been taken into account in the valuation of the Group's investment property portfolio in the consolidated financial statements for the year ended 31 December 2015 and consequently in its net asset value.

IV - 5) Subsequent events

None.

V - 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.

V - 1) Intangible assets

(in thousands of euros)	31 Dec. 2015	Increases	Decreases	Reclassifications	30 June 2016
Cost					
Computer software	5,076	-	-	412	5,488
Other	1,814	186	-	(425)	1,575
Accumulated amortisation					
Computer software	(4,378)	(541)	-	-	(4,919)
Other	-	-	-	-	-
Carrying amount	**2,512**	**(355)**	**-**	**(13)**	**2,144**

V - 2) Property and equipment

(in thousands of euros)	31 Dec. 2015	Increases	Decreases	Reclassifications	30 June 2016
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other	4,802	543	-	13	5,358
Accumulated depreciation					
Owner-occupied property	(1,962)	(208)	-	-	(2,170)
Other	(1,878)	(192)	-	-	(2,070)
Carrying amount	**22,200**	**143**	**-**	**13**	**22,356**

The appraisal value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €37,490 thousand at 30 June 2016 and €36,153 thousand at 31 December 2015.

V - 3) Investment properties

(in thousands of euros)	31 Dec. 2015	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	30 June 2016
Fair value						
Investment properties	5,098,496	22,087	285,779	-	-	5,406,363
Total	**5,098,496**	**22,087**	**285,779**	**-**	**-**	**5,406,363**

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

(in thousands of euros)	30 June 2016	31 Dec. 2015
Appraisal value of investment properties, excluding transfer costs	5,520,350	5,242,406
Deduction of investment property (see Note V-2)	(37,490)	(36,153)
Adjustments to reflect specific lease terms	(76,497)	(59,071)
Adjustment to take into account the increase in transfer costs effective 1 January 2016 (see Note IV-4)	-	(48,686)
Fair value of investment properties in the statement of financial position	**5,406,363**	**5,098,496**

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:

Geographic area	Value excluding transfer costs 30 June 2016 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	4,388	Market rent for offices	€525-€790	€671
		Exit yield	3.25%-4.25%	3.68%
		Discount rate	4.25%-5.65%	4.68%
Other Paris	718	Market rent for offices	€475-€680	€554
		Exit yield	3.85%-4.50%	4.13%
		Discount rate	4.70%-5.00%	4.81%
Western Crescent	414	Market rent for offices	€300-€467	€450
		Exit yield	4.50%-5.00%	4.54%
		Discount rate	5.35%-5.75%	5.50%
Total	**5,520**			

[1] *Offices.*

A 25-bps increase in the exit yield combined with a 25-bps increase in the discount rate would have the effect of reducing the portfolio's appraisal value by €355,000 thousand, while a 25-bps decrease in the exit yield combined with a 25-bps decrease in the discount rate would have the effect of increasing the portfolio's appraisal value by €406,240 thousand.

V - 4) Financial assets

(in thousands of euros)	31 Dec. 2015	Increases	Impairment losses recognised	Decreases	Impairment losses reversed	30 June 2016
Investments in non-consolidated companies	1,071	-	-	-	-	1,071
Provisions for impairment	(1,071)	-	-	-	-	(1,071)
Investments in non-consolidated companies, net	**-**	**-**	**-**	**-**	**-**	**-**
Deposits	**696**	**1**	**-**	**-**	**-**	**697**
Total	**696**	**1**	**-**	**-**	**-**	**697**

Investments in non-consolidated companies concern the Vendôme Rome Group. This investment has been written down in full since 31 December 2010.

V - 5) Other non-current assets

(in thousands of euros)	30 June 2016	31 Dec. 2015
Deferred tax assets	140	145
Other receivables	195	156
Total	**335**	**301**

Deferred tax assets are analysed in Note V-26.

V - 6) Trade and other receivables

(in thousands of euros)	30 June 2016			31 Dec. 2015
	Total	**Due within 1 year**	**Due in 1 year or more**	
Trade receivables	92,067	20,935	71,132	70,239
Provisions	(3,224)	-	(3,224)	(3,116)
Trade receivables	**88,843**	**20,935**	**67,908**	**67,123**
Prepayments to suppliers	1,235	1,235	-	14
Employee advances	78	78	-	52
Tax receivables (other than income tax)	7,453	7,453	-	11,565
Other operating receivables	2,138	2,138	-	2,628
Miscellaneous	146	146	-	69
Other receivables	**11,050**	**11,050**	**-**	**14,328**
Total	**99,893**	**31,985**	**67,908**	**81,451**

Trade receivables include €76,497 thousand (of which €10,254 thousand reported under current assets) corresponding to the impact of rent-free periods and other special lease terms that is deferred over the non-cancellable lease term in accordance with IFRS. Receivables do not bear interest.

Provisions for cost of risk can be analysed as follows:

(in thousands of euros)	30 June 2016	31 Dec. 2015
Increases in provisions	(160)	(124)
Reversals of provisions	99	73
Bad debt write-offs, net of recoveries	(12)	(35)
Total	**(73)**	**(86)**
Property rentals	101,964	168,794
Net losses as a % of property rentals	**0.07%**	**0.05%**

V - 7) Other current assets

(in thousands of euros)	30 June 2016	31 Dec. 2015
Income tax prepayments	116	146
Other prepayments	3,075	300
Total	**3,191**	**446**

V - 8) Cash and cash equivalents

(in thousands of euros)	30 June 2016	31 Dec. 2015
Cash at bank and in hand	14,104	11,399
Short-term investments	-	1,088
Total	**14,104**	**12,487**

At 30 June 2016, the Group no longer held any short-term investments:

(in thousands of euros)	30 June 2016	31 Dec. 2015
Rothschild money market fund	-	1,088
Total	-	**1,088**

V - 9) Equity

The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2. Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

(in thousands of euros)	31 Dec. 2015	Increases	Decreases	30 June 2016
Number of shares	377,465	66,465	(110,720)	333,210
Average purchase/sale price, in euros	€60.08	€45.85	€43.99	€62.59
Total	**22,678**	**3,048**	**(4,871)**	**20,855**

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

V - 10) Short and long-term interest-bearing debt

			30 June 2016	31 Dec. 2015	30 June 2016	31 Dec. 2015
	Effective interest rate	**Expiry date**	**Short-term portion**		**Long-term portion**	
Bonds						
€500 million 4.625% bond issue, 2011-2016	4.625%	25 May 2016	-	160,151	-	-
€500 million 3.50% bond issue, 2012-2017	3.50%	28 Nov. 2017	6,211	978	300,700	300,700
€500 million 1.875% bond issue, 2014-2021	1.875%	26 Nov. 2021	5,584	922	500,000	500,000
€500 million 2.25% bond issue, 2015-2022	2.25%	16 Nov. 2022	7,008	1,414	500,000	500,000
Bank loans						
Banco Sabadell	3-month Euribor + spread (end of drawdown period)	18 June 2020	54	-	50,000	-
BNP Paribas 2016	3-month Euribor + spread (end of drawdown period)	24 May 2021	62	-	120,000	-
BECM loan	3-month Euribor + spread (end of drawdown period)	23 April 2019	99	119	150,000	140,000
Cadif loan	3-month Euribor + spread (end of drawdown period)		30,007	-	-	-
Natixis – Deka – Deutsche Hypotheken loan	1.571%	16 July 2022	2,648	2,650	204,360	205,400
Lease liabilities						
131, Wagram	3-month Euribor + spread (calendar quarter end)	14 June 2016	-	27,271	-	-
Bank overdrafts	Various		25,390	22,057	-	-
Current account advances (liabilities)	Various		80	132	67,546	67,546
Impact of deferred recognition of debt arranging fees			(2,669)	(2,641)	(8,442)	(9,095)
Total			**74,474**	**213,053**	**1,884,164**	**1,704,551**

The following table analyses borrowings by maturity:

(in thousands of euros)	30 June 2016	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2015
Bonds	1,319,503	18,803	300,700	1,000,000	1,464,165
BECM loan	150,099	99	150,000	-	140,119
Banco Sabadell	50,054	54	50,000	-	-
BNP Paribas syndicated loan	120,062	62	120,000	-	-
Natixis – Deka – Deutsche Hypotheken loan	207,008	2,648	8,320	196,040	208,050
Lease financing	-	-	-	-	27,271
Cadif loan	30,007	30,007	-	-	-
Current account advances (liabilities)	67,626	80	67,546	-	67,678
Deferred debt arranging fees	(11,111)	(2,669)	(7,330)	(1,112)	(11,736)
Bank overdrafts	25,390	25,390	-	-	22,057
Total	**1,958,638**	**74,474**	**689,236**	**1,194,928**	**1,917,604**

At 30 June 2016, SFL had access to confirmed undrawn lines of credit representing €580 million compared with €610 million at 31 December 2015 (see Note V-30).
Current account advances correspond to Prédica's minority interest in SCI Washington and SAS Parholding.

Debt covenants and acceleration clauses apply to the following lines of credit: BPCE, BECM, Banco Sabadell and BNP Paribas 2015 and 2016. They can be broken down as follows:

Applicable ratios	Actual ratios at 30 June 2016	Actual ratios at 31 Dec. 2015	Early repayment clauses (non-exhaustive list)
Loan-to-value (LTV) <= 50%	31.9%	33.4%	Loan default
			Termination of operations
Interest cover >= 2x	3.6	2.6	Bankruptcy proceedings
			Breach of financial covenants
Secured LTV <= 20%	3.5%	4.3%	Material adverse event
Unrestricted property portfolio value >= €2bn	€5.1bn	€4.6bn	

The Group was not in breach of any of its financial covenants at 30 June 2016.

V - 11) Short and long-term provisions

(in thousands of euros)	31 Dec. 2015	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	30 June 2016
Provisions for employee benefits	1,011	103	(46)	(45)	(39)	1,029
Long-term provisions	**1,011**	**103**	**(46)**	**(45)**	**(39)**	**1,029**
Provisions for refurbishment work and tenant claims	284	7	-	-	-	291
Provisions for employee benefits	286	-	(221)	(77)	-	65
Short-term provisions	**570**	**7**	**(221)**	**(77)**	**-**	**356**
Total	**1,581**	**110**	**(267)**	**(122)**	**(39)**	**1,385**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,010 thousand, breaking down as follows:

(in thousands of euros)	30 June 2016	31 Dec. 2015
Projected benefit obligation at 1 January	**1,011**	**1,112**
Benefits paid during the period	(45)	-
Service cost	67	78
Interest cost	16	(28)
Actuarial gains and losses	(39)	(151)
Projected benefit obligation at 30 June	**1,010**	**1,011**

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including a discount rate of 1.05% (2.03% at 31 December 2015) and a 2.00% rate of future salary increases (2.00% at 31 December 2015). Actuarial gains and losses are recognised in equity.
A 0.25-point reduction in the discount rate at 30 June 2016 would lead to a €22 thousand increase in the projected benefit obligation at that date.

The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 25 and 30 years service with SFL, 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 €22 thousand at 30 June 2016 versus €14 thousand at 31 December 2015.
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.

V - 12) Deferred taxes

See Note V-26.

V - 13) Long-term tax liabilities

Due	2018	2019	2020	Total
Amount payable	3,058	2,996	2,936	8,990

This item corresponds mainly to the long-term portion of the exit tax due as a result of the exercise, in June 2016, of the finance lease purchase option on the 131 Wagram property. The €12.7 million tax liability is payable in four annual instalments between 2017 and 2020 and has been discounted.

V - 14) Other non-current liabilities

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

V - 15) Trade and other payables

(in thousands of euros)	30 June 2016	31 Dec. 2015
Trade payables	11,479	6,386
Amounts due within one year on asset acquisitions	8,847	12,491
Total	**20,326**	**18,877**

At 30 June 2016, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including #cloud.paris, Edouard VII and Washington Plaza.

V - 16) Other current liabilities

Other current liabilities break down as follows:

(in thousands of euros)	30 June 2016	31 Dec. 2015
Deposits	3,659	2,652
Customer prepayments	15,747	19,424
Accrued payroll costs	3,212	4,776
Long-term tax liabilities	16,084	6,891
Other liabilities	3,503	2,716
Accruals	4,663	5,496
Total	**46,868**	**41,955**

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

Accrued taxes include the exit tax instalment due in 2017 and related to the 131 Wagram building in Paris.

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

V - 17) Net property rentals

The Group's principal business is the rental of office and retail properties, which account for 98.3% of property rentals. Net property rentals take into account the net positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In first-half 2016, this impact was €18,034 thousand.

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

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Property rentals	1,030,986	197,114	559,815	274,058

(in thousands of euros)	30 June 2016	30 June 2015
Rental income	**101,964**	**81,350**
Property operating expenses	(24,128)	(22,792)
Property expenses recovered from tenants	17,727	13,375
Property expenses, net of recoveries	**(6,401)**	**(9,417)**
Net property rentals	**95,563**	**71,933**

V - 18) Other income

(in thousands of euros)	30 June 2016	30 June 2015
Own-work capitalised	54	516
Other income	1,379	338
Total	**1,433**	**854**

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

V - 19) Depreciation and amortisation expense

(in thousands of euros)	30 June 2016	30 June 2015
Amortisation of intangible assets	(541)	(134)
Depreciation of property and equipment	(401)	(393)
Total	**(942)**	**(527)**

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.

V - 20) Provision (expense)/reversals, net

(in thousands of euros)	30 June 2016	30 June 2015
Charges to provisions for impairment of current assets	(160)	(122)
Charges to provisions for operating contingencies and charges	(26)	(83)
Charges to provisions for other contingencies and charges	(84)	(65)
Total charges	**(270)**	**(270)**
Reversals of provisions for impairment of current assets	99	61
Reversals of provisions for operating contingencies and charges	-	-
Reversals of provisions for other contingencies and charges	144	-
Total reversals	**243**	**61**
Total	**(27)**	**(209)**

V - 21) Employee benefits expense

(in thousands of euros)	30 June 2016	30 June 2015
Wages and salaries	(3,319)	(3,346)
Payroll taxes	(1,701)	(1,875)
Other employee benefits	(490)	(1,080)
Statutory and discretionary profit-sharing	(268)	(448)
Total	**(5,778)**	**(6,749)**

The Group had 72 administrative staff and 2 building staff at 30 June 2016 (unchanged from 30 June 2015).

Details of performance share plans at 30 June 2016

	Plan no. 1	Plan no. 3	Plan no. 4
Date of shareholder authorisation	9 May 2011	22 April 2015	13 Nov. 2015
Grant date (date of Board meeting)	4 March 2014	17 June 2015	26 April 2016
Initial target number of shares	33,981	27,328	32,036
Initial expected vesting rate	70.83%	70.83%	70.83%
Initial number of shares expected to vest	24,069	19,356	22,691
Fair value per share	€31.48	€36.08	€41.49
Rights cancelled/forfeited	(16,165)	(1,728)	(128)
Expected vesting rate at 30 June 2016	125.00%	100.00%	100.00%
Number of shares expected to vest at 30 June 2016	**22,269**	**25,600**	**31,908**

Main features of the plans

The plans' main features are as follows:

- The shares will vest only if the grantee is still employed by the Group on the vesting date.
- Performance target: the number of shares that vest depends on SFL's ranking among a group of six listed property companies based on growth in consolidated ANAV per share.
- The performance shares will vest 10 business days (plan no. 1) or 15 business days (plans no. 3 and no. 4) after the publication, by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year after the grant date.
- Lock-up period: the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

Accounting treatment

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period. At 30 June 2016, the rates applied were 125% for the 2014 plan (probable ranking: no. 2) and 100% for the 2015 and 2016 plans (probable ranking: no. 3).

During the first half of 2016, 36,424 performance shares vested under the 2013 plan no. 1.

The cost of performance share plans recognised in first-half 2016 amounted to €490 thousand (excluding specific employer contributions).

V - 22) Other expenses

(in thousands of euros)	30 June 2016	30 June 2015
Purchases	(45)	(52)
General subcontracting	(305)	(247)
Rent (operating leases)	(321)	(523)
Maintenance and repairs	(106)	(82)
Fees	(1,007)	(955)
Publications and public relations	(266)	(223)
Bank charges	(216)	(119)
Taxes other than on income	(797)	(775)
Travel and entertainment	(228)	(220)
Non-recurring expenses	(67)	(90)
Other	(496)	(522)
Total	**(3,854)**	**(3,809)**

V - 23) Gains and losses from remeasurement at fair value of investment properties

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

V - 24) Finance costs and other financial income and expenses

(in thousands of euros)	30 June 2016	30 June 2015
Interest on bonds and bank loans	(22,511)	(24,032)
Interest on lease liabilities	(231)	(336)
Interest on external current account advances	(179)	(297)
Hedging losses	-	(786)
Other financial expenses	(1,398)	(2,152)
Finance costs and other financial expenses	**(24,319)**	**(27,603)**
Interest income	1	10
Net gains on sales of short-term investments	-	10
Financial expense transfers	-	3,576
Other financial income	6	42
Financial income	**7**	**3,638**
Finance costs and other financial income and expenses, net	**(24,312)**	**(23,965)**

V - 25) Financial instruments

Fair value adjustments on financial instruments:

(in thousands of euros)	30 June 2016	30 June 2015
Interest rate hedges	(1,253)	(3,838)
Total	**(1,253)**	**(3,838)**

Interest rate hedges

Since the early unwinding of the Parholding swaps in July 2015, the Group no longer holds any interest rate hedges.

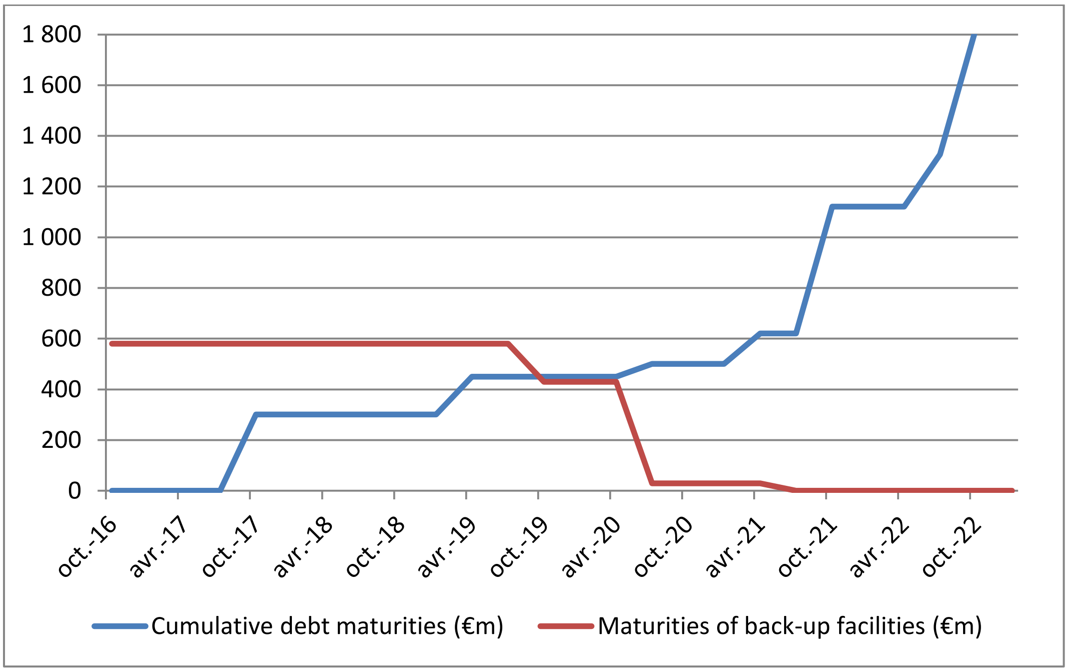
Deferred fair value reserves connected to gains or losses generated by the cancellation of cash flow hedges (swaps) in the second half of 2012 and first half of 2013 are still being reclassified to the income statement; at 30 June 2016, they resulted in a net financial expense of €1,253 thousand.

Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 30 June 2016, SFL had access to confirmed undrawn lines of credit representing €580 million compared with €610 million at 31 December 2015. As shown in the graph below, the liquidity represented by these back-up facilities is sufficient to cover the Group's repayment obligations under its lines of credit up until October 2019.



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

The acceleration clauses contained in the facility agreements are presented in Note V-10.

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. The Group considers that its exposure to counterparty risk on operations is not material.

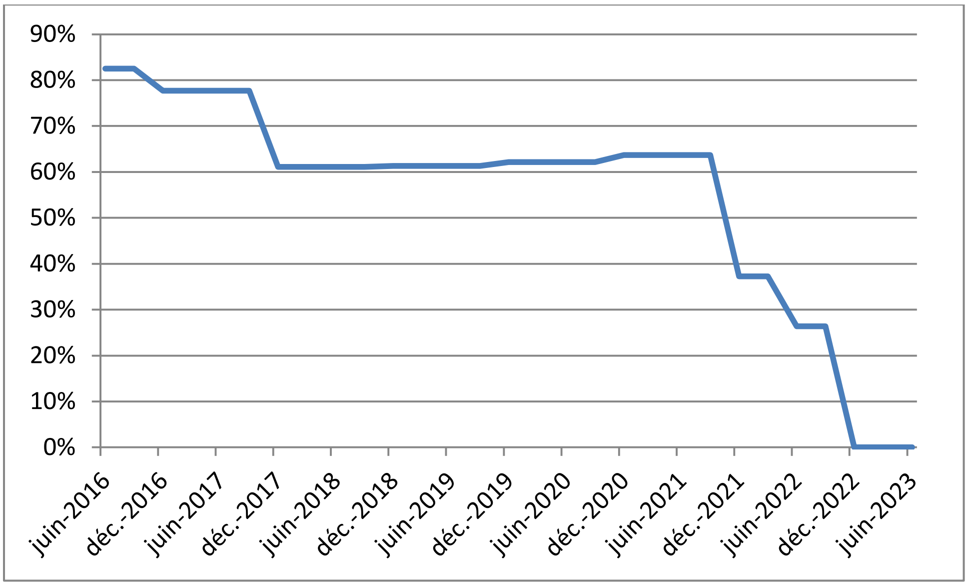
3 - Market risk

The Group had no exposure to currency risks at 30 June 2016. 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 2016, 82% of debt was hedged against interest rate risks.

SFL debt hedging rate 2016-2023



b/ Risk assessment

The average spot cost of debt after hedging stood at 2.01% at 30 June 2016, versus 2.36% at 31 December 2015.
A 50-basis point rise in interest rates across the yield curve would have had the effect of increasing the average cost of debt to 2.09%, driving up finance costs for the year by €786 thousand, representing 3.23% of half-year financial expense. A 50-basis point decline in interest rates across the yield curve would have lowered the average cost of debt to 1.93%, and reduced finance costs for the year by €720 thousand, or 2.96% of half-year financial expense.

c/ Interest rate risk

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk at 30 June 2016:

Floating rate debt (in thousands of euros)	**Due within 1 year**	**Due in 1-2 years**	**Due in 2-3 years**	**Due in 3-4 years**	**Due in 4-5 years**	**Due beyond 5 years**	**Total**
BECM loan	-	-	150,000	-	-	-	**150,000**
Banco Sabadell loan	-	-	-	50,000	-	-	**50,000**
2016 BNP Paribas loan	-	-	-	-	120,000	-	**120,000**
Current account advances	-	67,546	-	-	-	-	**67,546**
Total	**-**	**67,546**	**150,000**	**50,000**	**120,000**	**-**	**387,546**

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

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 30 June 2016 and 30 June 2020:

(in thousands of euros)	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
BECM revolving facility	150,000	150,000	150,000	-	-
Banco Sabadell loan	50,000	50,000	50,000	50,000	-
BNP Paribas loan	120,000	120,000	120,000	120,000	120,000
Current account advances	67,546	67,546	-	-	-
Total floating rate debt	**387,546**	**387,546**	**320,000**	**170,000**	**120,000**
Net unhedged position	**387,546**	**387,546**	**320,000**	**170,000**	**120,000**

Fair value of bonds

The fair value of the Group's outstanding bond issues at 30 June 2016 was €1,382,340 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	Fair value
November 2012 bonds	300,700	November 2017	315,570
November 2014 bonds	500,000	November 2021	528,115
November 2015 bonds	500,000	November 2022	538,655
Total	**1,300,700**		**1,382,340**

V - 26) 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:

(in thousands of euros)	SOFP 31 Dec. 2015	Equity	SOCI	SOFP 30 June 2016
Fair value adjustments on investment properties	(164,686)	-	8,419	(156,267)
Adjustment of depreciation	(17,232)	-	(1,039)	(18,271)
Adjustment of property rentals	(3,696)	-	1,470	(2,226)
Capitalisation of interest expense and transaction costs	(521)	-	-	(521)
Other	(709)	-	(26)	(735)
Net	**(186,844)**	-	**8,824**	**(178,022)**
Of which: deferred tax assets	145	-	(5)	140
Of which: deferred tax liabilities	(186,991)	-	8,829	(178,162)

At 30 June 2016, current income tax expense for the period amounted to €18,565 thousand versus €2,593 thousand at 30 June 2015.

This increase is chiefly due to the recognition of a tax expense of €15,914 thousand following the exercise of the option to acquire the 131 Wagram property, of which €12,705 thousand pertaining to the exit tax and €3,209 thousand to standard rate income tax on rents reclassified as revenue that cannot be deducted for tax purposes and falling due at the end of the lease term. These taxes were offset by a deferred tax reversal for €16,519 thousand.

The tax expense for the Parholding tax group stood at €2,580 thousand at 30 June 2016.

V - 27) Non-controlling interests in net profit

(in thousands of euros)	30 June 2016	30 June 2015
SCI Washington	**18,029**	**7,038**
Property rentals	*3,518*	*3,112*
Fair value adjustments on investment properties	*14,571*	*4,388*
Net financial expense	*(123)*	*(196)*
Other	*63*	*(266)*
Parholding subgroup	**9,586**	**16,021**
Property rentals	*7,234*	*7,011*
Fair value adjustments on investment properties	*8,865*	*19,526*
Net financial expense	*(956)*	*(1,471)*
Deferred tax	*(3,838)*	*(7,323)*
Current tax	*(1,290)*	*(1,198)*
Other	*(429)*	*(524)*
Total	**27,615**	**23,059**

V - 28) Earnings per share

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

(in thousands of euros)	30 June 2016	30 June 2015
Profit used to calculate basic earnings per share	309,780	205,569
Number of ordinary shares at 30 June	46,528,974	46,528,974
Number of treasury shares at 30 June	(333,210)	(378,609)
Number of ordinary shares at 30 June excluding treasury shares	**46,195,764**	**46,150,365**
Earnings per share	**€6.71**	**€4.45**
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 30 June	(333,210)	(378,609)
Weighted average number of ordinary shares excluding treasury shares	**46,195,764**	**46,150,365**
Basic earnings per weighted average share	**€6.71**	**€4.45**

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.

V - 29) Dividends

(in thousands of euros)	30 June 2016		30 June 2015	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	48,506	€1.05	64,624	€1.40
Total	**48,506**	**€1.05**	**64,624**	**€1.40**

V - 30) Off-balance sheet commitments

Standard mortgage

(in thousands of euros)

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

Guarantees

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Property guarantees	541	541	-	-
Commitments received				
Guarantees received from tenants	52,894	4,789	9,792	38,313
Guarantees received from suppliers	34,935	34,935	-	-
Total commitments received	**87,829**	**39,724**	**9,792**	**38,313**

Undrawn confirmed lines of credit

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
BPCE loan	150,000	-	150,000	-
2015 BNP Paribas loan	400,000	-	400,000	-
2016 BNP Paribas loan	30,000	-	30,000	-
Total	**580,000**	-	**580,000**	-

Employee benefit obligations

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

At 30 June 2016, the aggregate compensation that would be payable to these individuals amounts to €2,755 thousand.

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

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 30 June 2016, the Group's contractual commitments relating to investment properties undergoing renovation totalled €23,247 thousand (€32,929 thousand at 31 December 2015), including €19,986 thousand in relation to the Louvre Saint-Honoré and In/Out properties.

V - 31) Note to the statement of cash flows

(in thousands of euros)	30 June 2016	30 June 2015
Acquisitions of and improvements to investment properties		
Purchase price	-	(63,900)
Transaction costs	-	(3,647)
Work	(25,731)	(72,818)
Total	**(25,731)**	**(140,365)**
Proceeds from disposals of investment properties, intangible assets and property and equipment		
Sale price	-	11
Total	**-**	**11**
Cash and cash equivalents at end of period		
Short-term investments	-	12,173
Cash at bank and in hand	14,104	4,819
Bank overdrafts	(25,391)	(38,227)
Total	**(11,287)**	**(21,235)**

The impact of deferring recognition of rent-free periods is included in "Cash flow" along with additions to and reversals of provisions for impairment of trade receivables.

V - 32) Related party information

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

(in thousands of euros)	30 June 2016	30 June 2015
Short-term benefits, excluding payroll taxes (1)	2,101	1,480
Payroll taxes on short-term benefits	728	584
Share-based payments (2)	311	711
Directors' fees	182	159
Total	**3,322**	**2,934**

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

VI - 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	444 425 250	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50

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

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 57.52% of the capital at 30 June 2016.

4. STATUTORY AUDITORS' REVIEW REPORT ON THE 2016 INTERIM FINANCIAL INFORMATION

Six months ended 30 June 2016

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

Société Foncière Lyonnaise
42, rue Washington
75008 Paris
France

To the Shareholders,

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

- the review of the accompanying interim consolidated financial statements of Société Foncière Lyonnaise for the six months ended 30 June 2016;
- the verification of the information contained in the interim management report.

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

I – Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2016, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

II – Specific verification

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

Neuilly-sur-Seine, 27 July 2016

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Philippe Guéguen	Christophe Postel-Vinay

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

I hereby declare that, to the best of my knowledge, the consolidated financial statements for the six months ended 30 June 2016 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, 27 July 2016

Nicolas Reynaud
Chief Executive Officer

SFL

SOCIETE FONCIERE LYONNAISE