SOCIETE FONCIERE LYONNAISE

INTERIM FINANCIAL REPORT

Six months ended 30 June 2017

CONTENTS

1. INTERIM MANAGEMENT REPORT

As of 30 June 2017, the composition of the Board of Directors of SFL was as follows:

Chairman of the Board:

- Juan José Brugera Clavero

Directors:

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

The interim consolidated financial statements for the six months ended 30 June 2017 were approved by the Board of Directors of Société Foncière Lyonnaise on 27 July 2017.

First-half business indicators were robust, thanks to the high portfolio occupancy rate, while the period also saw gains in the portfolio's appraisal value and the Company's net asset value.

Consolidated financial statements for the six months ended 30 June 2017

Consolidated data (€ millions)

	H1 2017	H1 2016	Change
Rental income	98.6	102.0	-3.3%
Adjusted operating profit*	82.5	86.4	-4.5%
Attributable net profit	378.7	309.8	+22.3%
EPRA earnings	49.7	50.6	-1.8%

* Operating profit before disposals and fair value adjustments

	30/06/2017	31/12/2016	Change
Attributable equity	3,455	3,123	+10.6%
Consolidated portfolio value excluding transfer costs	6,144	5,736	+7.1%
Consolidated portfolio value including transfer costs	6,523	6,092	+7.1%
EPRA NNNAV	3,421	3,082	+11.0%
EPRA NNNAV per share	€73.5	€66.2	

Results: robust business indicators

- Rental income for the period amounted to €98.6 million, down by a modest €3.3 million from the €102.0 million reported in first-half 2016.

  - On a like-for-like basis (excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €2.7 million higher, a 2.9% increase that was mainly attributable to the new leases signed in 2016.
  - Changes in assets under redevelopment between the two periods had a €4.3 million negative impact on rental income, with several floors of offices in the Cézanne Saint-Honoré complex and other properties taken off the market for extensive renovation after tenants moved out in 2016.
  - The impact was partly offset by lease termination penalties received from tenants, which added a net €0.5 million to rental income for first-half 2017 compared with €2.2 million in the year-earlier period.

- Property expenses, net of recoveries stood at €6.9 million at 30 June 2017, up €0.5 million compared to 30 June 2016, in connection with tenant departures at the Cézanne Saint-Honoré, 92 Champs-Elysées and Issy-les-Moulineaux properties and the surge in activity at the Business Center at the #cloud.paris property.

- Other income amounted to €0.4 million at 30 June 2017, a decrease of €1.0 million on the year-earlier period as a result of significant repair expenses received from departing tenants in first-half 2016.

- Provision (expense)/reversals net represented a net reversal of €1.8 million, mainly relating to a dispute between SFL and a former tenant that was settled in SFL's favour during the first half of 2017.

- Corporate expenses totalled €10.8 million for the six months ended 30 June 2017, up €1.1 million compared to the prior-year period. The increase related primarily to employee benefit expenses as a result of the compensation packages paid for departures that took place during the six-month period. Other corporate expenses were affected by the increase in directors' fees.

- As a result, operating profit before disposal gains and losses and fair value adjustments to investment properties amounted to €82.5 million in first-half 2017 versus €86.4 million in the year-earlier period.

- The portfolio’s appraisal value as of 30 June 2017 was 7.1% higher on a comparable basis than as of 31 December 2016. The increase led to the recognition of positive fair value adjustments to investment properties of €382.6 million at 30 June 2017 versus positive adjustments of €285.8 million at 30 June 2016.

- Net finance costs amounted to €21.2 million in first-half 2017 compared with €25.0 million in the year-earlier period, a saving of €3.9 million that primarily reflected the Group's lower average cost of debt.

- After taking into account these key items, the Group reported attributable net profit for the period of €378.7 million versus €309.8 million in first-half 2016. EPRA earnings came to €49.7 million in first-half 2017 compared with €50.6 million in the year-earlier period.

First-half 2017 Business Review

<u>Rental operations</u>
In a resilient rental market shaped by stable volumes in the Paris region compared with 2016 and a shortage of high quality properties in the capital, during first-half 2017 SFL signed leases on some 12,000 sq.m. on good terms.

The new leases were signed at an average nominal rent of €678 per square metre, corresponding to an effective rent of €585 per square metre.

The occupancy rate for revenue-generating properties remained high, standing at 95.5% as of 30 June 2017 compared with 97.0% as of 31 December 2016. The remaining vacant units are located mainly in the Cézanne Saint-Honoré, Washington Plaza and Issy-les-Moulineaux properties.

<u>Development operations</u>
Capital expenditure for first-half 2017 amounted to €12.5 million and mainly concerned the renovation of vacated floors in existing buildings and preliminary work on the Louvre Saint-Honoré and 112 Emile Zola (SMA) development projects.

Portfolio operations
On 13 January 2017, SFL entered into a €165-million deal to acquire SMA's historical headquarters building on Avenue Emile Zola in the 15th *arrondissement* of Paris. The 21,000-sq.m. property will be redeveloped to create a major new business centre in the west of the capital. Contracts will be exchanged when SMA moves to its new headquarters in the fourth quarter of 2017.

No properties were divested in the first half of 2017. However, as part of the Group's portfolio management strategy, the In/Out property in Boulogne-Billancourt was put up for sale during the period.
As of the period-end a buyer had been found and a sale agreement was signed on 25 July. The sale of this asset to Primonial is due to be finalised during the second half of the year.

Financing: historically low average borrowing costs

Net debt at 30 June 2017 amounted to €1,949 million, compared with €1,931 million at 31 December 2016, representing a loan-to-value ratio of 29.9%. At that date, the average cost of debt after hedging was 1.9% and the average maturity was 4.1 years.

In June 2017, two new bilateral revolving credit facilities were obtained for periods of six and seven years respectively, representing a total borrowing capacity of €175 million.

As of 30 June 2017, SFL had €675 million in undrawn lines of credit.

Net Asset Value

The consolidated market value of the portfolio at 30 June 2017 was €6,144 million excluding transfer costs, an increase of 7.1% from €5,736 million at 31 December 2016 that was primarily due to further tightening of Paris property yields.

The average EPRA topped-up net investment yield (NIY) stood at 3.3% as of 30 June 2017, compared with 3.6% as of 31 December 2016.

EPRA NNNAV stood at €3,421 million or €73.5 per share at 30 June 2017, an increase of 11.0% compared to €66.2 per share at 31 December 2016.
Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	**H1 2017**	**H1 2016**
Attributable net profit	**378.7**	**309.8**
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment properties	(382.6)	(285.8)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.0	0.7
Tax on the above items	20.1	5.5
Non-controlling interests in the above items	33.5	20.4
EPRA earnings	**49.7**	**50.6**

API EPRA NNNAV

€ millions	30/06/2017	31/12/2016
Attributable equity	**3,455**	**3,123**
Treasury shares	12	14
Unrealised capital gains	17	16
Fair value adjustments to fixed rate debt	(63)	(71)
EPRA NNNAV	**3,421**	**3,082**

API Net debt

€ millions	30/06/2017	31/12/2016
Long-term borrowings and derivative instruments	1,679	1,620
Short-term borrowings and other interest-bearing debt	371	389
Debt in the consolidated balance sheet	**2,050**	**2,009**
Less:		
Current account advances (liabilities)	(63)	(63)
Accrued interest and deferred debt arranging fees	(11)	6
Cash and cash equivalents	(27)	(20)
Net debt	**1,949**	**1,931**

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 28 to 33** of the **2016 Financial and Legal Report** contained in the **2016 Annual Report** filed with the Autorité des marchés financiers (AMF) on 5 April 2017.
The information in the 2016 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 2017) on page 27 of this document (see Note VI-4 "Financial risk management objectives and policy").

2. Counterparty risk

Counterparty risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2017) on page 27 of this document (see Note VI-4 "Financial risk management objectives and policy ").

3. Currency risk

SFL had no exposure to currency risks at 30 June 2017.

4. Interest rate risk

Interest rate risk is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2017) on pages 27 and 28 of this document (see Note VI-4 "Financial risk management objectives and policy "-"Market risk").

a - Objectives and strategy
Risk management objectives and strategy are discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2017) on page 27 of this document (see Note VI-4 "Financial risk management objectives and policy ").

b - Risk assessment
Risk measurement is discussed in the Notes to the Interim Consolidated Financial Statements (30 June 2017) on page 27 of this document (see Note VI-4 "Financial risk management objectives and policy ").

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

These risks are discussed on page 29 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

6. Asset valuation risks

These risks are discussed on page 29 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

7. Risks associated with a highly competitive environment

These risks are discussed on pages 29 and 30 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

8. Tenant risks

These risks are discussed on page 30 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

9. Risks associated with the availability and cost of financing

These risks are discussed on page 30 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

10. Risks associated with the loss of key personnel

These risks are discussed on page 30 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

11. Risks associated with subcontractors and other service providers

These risks are discussed on page 30 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

12. Risks associated with the regulatory environment

These risks are discussed on pages 30 and 31 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

13. Administrative risks

These risks are discussed on page 31 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

14. Risks of neighbourhood complaints

These risks are discussed on page 31 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

15. Risks associated with the majority shareholder

These risks are discussed on page 31 of the 2016 Financial and Legal Report contained in the 2016 Annual Report.

16. Risks associated with the SIIC tax regime

These risks are discussed on pages 31 to 33 of the 2016 Financial and Legal Report contained in the 2016 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 34 of this document, in section IX-4 ("Related-party information").

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

SOCIÉTÉ FONCIÈRE LYONNAISE

CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL STATEMENTS

The interim consolidated financial statements were approved for publication by the Board of Directors on 27 July 2017.

A – Consolidated Statement of Financial Position

(in thousands of euros) ASSETS	Notes Section E	30 June 2017	31 December 2016
Intangible assets	IV-1	1,380	1,487
Property and equipment	IV-2	22,005	22,286
Investment properties	IV-4	5,598,760	5,604,526
Non-current financial assets	VI-5	812	699
Other non-current assets	V-4	8,340	108
Total non-current assets		**5,631,297**	**5,629,106**
Investment properties held for sale	IV-5	408,352	-
Trade and other receivables	V -3	123,624	113,937
Other current assets	V-4	2,738	917
Cash and cash equivalents	VI-6	27,248	19,766
Total current assets		**561,962**	**134,620**
Total assets		**6,193,259**	**5,763,726**

(in thousands of euros) EQUITY AND LIABILITIES	Notes Section E	30 June 2017	31 December 2016
Share capital		93,058	93,058
Reserves		2,983,449	2,526,008
Profit for the period		378,726	504,079
Equity attributable to owners of the parent		**3,455,233**	**3,123,145**
Non-controlling interests		404,929	370,631
Total non-controlling interests		**404,929**	**370,631**
Total equity	**VII-1**	**3,860,162**	**3,493,776**
Long-term borrowings and derivative instruments	VI-1	1,678,998	1,619,506
Long-term provisions	VIII-1	997	3,002
Deferred tax liabilities	X-3	183,767	161,860
Exit tax liability	X-1	6,212	9,314
Other non-current liabilities	V-6	19,687	19,677
Total non-current liabilities		**1,889,661**	**1,813,359**
Trade and other payables	V -5	23,212	22,487
Short-term borrowings and other interest-bearing debt	VI-1	370,984	389,304
Short-term provisions	VIII-1	421	421
Other current liabilities	V-6	48,819	44,379
Total current liabilities		**443,436**	**456,591**
Total equity and liabilities		**6,193,259**	**5,763,726**

B - Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2017	First-half 2016
Rental income		98,627	101,964
Property expenses, net of recoveries		(6,868)	(6,401)
Net property rentals	**V-1**	**91,759**	**95,563**
Other income	V -2	380	1,433
Depreciation and amortisation expense	IV-3	(654)	(942)
Provision (expense)/reversals, net	VIII-2	1,789	(27)
Employee benefits expense	IX-1	(6,593)	(5,778)
Other expenses	V -7	(4,179)	(3,854)
Fair value adjustments on investment properties	IV-4	382,618	285,779
Operating profit		**465,120**	**372,174**
Finance costs and other financial expenses	VI-2	(21,745)	(24,319)
Financial income	VI-2	607	7
Fair value adjustments on financial instruments	VI-3	115	(1,253)
Discounting adjustments to receivables and payables		(141)	526
Change in provision for financial assets, net		-	-
Profit before income tax		**443,956**	**347,135**
Income tax expense	X-2-3	(25,332)	(9,740)
Profit for the period		**418,624**	**337,395**
Attributable to owners of the parent		**378,726**	**309,780**
Attributable to non-controlling interests	VII-5	39,898	27,615
Earnings per share	VII-4	€8.19	€6.71

Other comprehensive income			
Actuarial gains and losses	VIII-1	95	39
Other items		-	-
Items that will not be reclassified to profit or loss		95	39
Valuation gains and losses on financial instruments (cash flow hedges)	VI-4	-	1,253
Deferred tax impact of valuation gains and losses on financial instruments	X-3	-	-
Items that may be reclassified subsequently to profit or loss		-	1,253
Other comprehensive income		**95**	**1,292**
Comprehensive income		**418,719**	**338,687**
Attributable to owners of the parent		**378,821**	**311,072**
Attributable to non-controlling interests		39,898	27,615

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 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)	(5,933)
Equity at 30 June 2016	**93,058**	**683,395**	**22,621**	**(18,017)**	**4,640**	**1,881,282**	**309,780**	**2,976,758**	**339,417**
Movements for the period									
Profit for the period	-	-	-	-	-	-	194,299	194,299	31,214
Other comprehensive income, net of tax	-	-	-	-	1,224	178	-	1,402	-
Comprehensive income	**-**	**-**	**-**	**-**	**1,224**	**178**	**194,299**	**195,701**	**31,214**
Appropriation of profit	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	(1,446)	-	-	-	(1,446)	-
Gains and losses on sales of treasury shares	-	-	-	3	-	-	-	3	-
Share-based payments	-	-	-	-	-	624	-	624	-
Dividends paid to owners of the parent	-	(48,495)	-	-	-	-	-	(48,495)	-
Other adjustments	-	-	-	-	(5,864)	5,864	-	-	-
Equity at 31 December 2016	**93,058**	**634,900**	**22,621**	**(19,460)**	**-**	**1,887,948**	**504,079**	**3,123,145**	**370,631**
Movements for the period									
Profit for the period	-	-	-	-	-	-	378,726	378,726	39,898
Other comprehensive income, net of tax	-	-	-	-	-	95	-	95	-
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**95**	**378,726**	**378,821**	**39,898**
Appropriation of profit	-	(29,929)	-	-	-	534,008	(504,079)	-	-
Treasury share transactions	-	-	-	2,188	-	-	-	2,188	-
Gains and losses on sales of treasury shares	-	-	-	(1,137)	-	-	-	(1,137)	-
Share-based payments	-	-	-	-	-	730	-	730	-
Dividends paid to owners of the parent	-	(48,855)	-	-	-	343	-	(48,512)	(5,517)
Other adjustments	-	-	-	-	-	-	-	-	(83)
Equity at 30 June 2017	**93,058**	**556,116**	**22,621**	**(18,409)**	**-**	**2,423,124**	**378,726**	**3,455,233**	**404,929**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2017	First-half 2016
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		378,726	309,780
Fair value adjustments on investment properties	IV-4	(382,618)	(285,779)
Depreciation and amortisation expense (excluding impairment)	IV-3	654	942
Net additions to/(reversals of) provisions		(1,912)	(157)
Discounting adjustments and valuation (gains)/losses on financial instruments		26	727
Deferral of rent-free periods and key money	V-1	(7,444)	(18,034)
Employee benefits	IX-3	730	490
Non-controlling interests in profit for the period	VII-5	39,898	27,615
Cash flow after finance costs and income tax		**28,060**	**35,584**
Finance costs	VI-2	21,138	24,312
Income tax	X-2-3	25,332	9,740
Cash flow before finance costs and income tax		**74,530**	**69,636**
Change in working capital		9,062	(1,120)
Interest paid		(4,970)	(11,735)
Interest received		8	7
Income tax paid		(13,590)	(4,981)
Net cash provided by operating activities		**65,040**	**51,807**
Cash flows from investing activities			
Acquisitions of and improvements to investment properties	XII	(24,185)	(25,731)
Acquisitions of intangible assets and property and equipment	XII	(266)	(729)
Other cash inflows and outflows		(8,401)	-
Net cash used by investing activities		**(32,852)**	**(26,460)**
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		-	-
Purchases and sales of treasury shares, net		1,051	350
Dividends paid to owners of the parent	VII-3	(48,512)	(48,506)
Dividends paid to non-controlling interests		(1,815)	(5,934)
Proceeds from new borrowings		240,260	371,448
Repayments of borrowings		(181,713)	(344,421)
Other movements in financing items		-	-
Net cash used by financing activities		**9,271**	**(27,063)**
Net change in cash and cash equivalents		**41,459**	**(1,717)**
Cash and cash equivalents at beginning of period		(65,101)	(9,570)
Cash and cash equivalents at end of period	XII	(23,642)	(11,287)
Net change in cash and cash equivalents		**41,459**	**(1,717)**

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 2017:

- 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.
A preliminary assessment has been made of the impact on the financial statements of applying IFRS 15.
Substantially all of the Group’s revenue from contracts with customers falls within the scope of IAS 17 and not IFRS 15. Other revenues are marginal and their accounting treatment complies with IFRS 15.
The new standard is therefore not expected to have a material impact on the consolidated financial statements.

- Disclosure Initiative – Amendments to IAS 7 – Statement of Cash Flows. The amendments are applicable for annual periods beginning on or after 1 January 2017 and they are expected to be adopted by the European Union before the end of 2017. They are designed to improve the presentation and quality of information disclosed in the financial statements. The principle underpinning the amendments is that an entity should provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- IFRS 9 – Financial Instruments. This standard overhauls the classification and measurement of financial assets and financial liabilities, impairment methodology, hedge accounting and the accounting treatment of modified loans. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. The Group is currently preparing the application of this standard and assessing its impact on the financial statements.

- IFRS 16 – Leases. This standard requires all leases to be recognised in the financial statements of the lessee. In the lessor's accounts, leases are classified as either finance leases or operating leases in the same way as under the current standard. IFRS 16 is applicable for annual periods beginning on or after 1 January 2019, and will not have a material impact on the Group's financial statements.

I - 2) Accounting conventions

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

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

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

The Group has chosen to measure investment property using the fair value model (see Note IV-4).

I - 3) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note IV-4).

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

II - Significant Events of the Period

II - 1) Redevelopment and renovation programmes

On 13 January 2017, the Company entered into a €165-million deal to acquire SMA's historical headquarters building, a 21,000-sq.m. property located at 112-122 avenue Emile Zola in the 15th *arrondissement* of Paris. Contracts will be exchanged when SMA moves to its new headquarters in the fourth quarter of 2017.

No properties were divested in the first half of 2017.

Renovation and redevelopment programmes in progress as of 30 June 2017 represented around 6% of the Group's investment property portfolio. The main programme concerned the redevelopment of the Louvre Saint-Honoré building's retail area, which was approved by the Board of Directors on 30 September 2016.

During first-half 2017, leases were signed on around 11,600 sq.m. of mainly office space, including four leases on units in excess of 1,000 sq.m.

II - 2) Financing

In June 2017, the Group obtained a €100 million six-year line of credit from Crédit Agricole d'Ile de France and a €75 million seven-year line of credit from La Banque Postale.

In addition, the five-year line of credit obtained from Banco Sabadell in 2015 was increased from €50 million to €70 million.

These operations have extended the average life of the Group's debt and provided a significant reserve of undrawn confirmed credit facilities that can be used to fulfil upcoming repayment obligations and take up investment opportunities.

II - 3) Subsequent events

On 25 July 2017, the Group signed an agreement for the sale of the IN/OUT building in Boulogne-Billancourt, which is fully let to the OECD. Contracts are expected to be exchanged in the second half of 2017. The sale has been agreed at a price equal to the building's market value as of 30 June 2017.

III - Segment Information

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

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Property rentals	76,507	7,974	14,146	-	98,627
Property expenses, net of recoveries	(4,959)	(516)	(1,393)	-	(6,868)
Net property rentals	**71,548**	**7,458**	**12,753**	**-**	**91,759**
Other income	294	44	12	30	380
Depreciation and amortisation expense	-	-	-	(654)	(654)
Provision (expense)/reversals, net	(125)	-	2,072	(158)	1,789
Employee benefits expense	-	-	-	(6,593)	(6,593)
Other expenses	-	-	-	(4,179)	(4,179)
Fair value adjustments on investment properties	288,618	85,654	8,346	-	382,618
Operating profit/(loss)	**360,335**	**93,156**	**23,183**	**(11,554)**	**465,120**
Finance costs and other financial expenses	-	-	-	(21,745)	(21,745)
Financial income	-	-	-	607	607
Fair value adjustments on financial instruments	-	-	-	115	115
Discounting adjustments on receivables and payables	-	-	-	(141)	(141)
Changes in provisions for financial assets, net	-	-	-	-	-
Profit/(loss) before income tax	**360,335**	**93,156**	**23,183**	**(32,718)**	**443,956**
Income tax benefit/(expense)	(19,958)	-	-	(5,374)	(25,332)
Profit/(loss) for the period	**340,377**	**93,156**	**23,183**	**(38,092)**	**418,624**
Attributable to owners of the parent	**296,671**	**93,156**	**23,183**	**(34,284)**	**378,726**
Attributable to non-controlling interests	43,706	-	-	(3,808)	39,898
Other comprehensive income					
Actuarial gains and losses	-	-	-	95	95
Other comprehensive income	-	-	-	-	-
Items that will not be reclassified to profit or loss	-	-	-	95	95
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	-	-
Deferred tax impact of valuation gains and losses on financial instruments	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-	-
Other comprehensive income	**-**	**-**	**-**	**95**	**95**
Comprehensive income	**340,377**	**93,156**	**23,183**	**(37,997)**	**418,719**
Attributable to owners of the parent	**296,671**	**93,156**	**23,183**	**(34,189)**	**378,821**
Attributable to non-controlling interests	43,706	-	-	(3,808)	39,898

(in thousands of euros)	Paris Central Business District	Western Crescent	Other	Corporate	Total
Segment assets	4,741,077	502,824	771,464	50,828	6,066,193
Unallocated assets	-	-	-	127,066	127,066
Total assets	**4,741,077**	**502,824**	**771,464**	**177,894**	**6,193,259**

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

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

The Group's main geographical segments are as follows:

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

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

* **Others:** 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 - Intangible Assets, Property and Equipment, and Investment Property

IV - 1) Intangible assets

Accounting policy

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

(in thousands of euros)	31 Dec. 2016	Increases	Decreases	Reclassifications	30 June 2017
Cost					
Computer software	6,382	-	-	157	6,539
Other intangible assets	908	121	-	(176)	853
Accumulated amortisation					
Computer software	(5,803)	(209)	-	-	(6,012)
Other intangible assets	-	-	-	-	-
Carrying amount	**1,487**	**(88)**	**-**	**(19)**	**1,380**

IV - 2) Property and equipment

Accounting policy

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

Washington Plaza owner-occupied property:

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

Other property and equipment:

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

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

(in thousands of euros)	31 Dec. 2016	Increases	Decreases	Reclassifications	30 June 2017
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other property and equipment	5,706	144	-	19	5,869
Accumulated depreciation					
Owner-occupied property	(2,380)	(202)	-	-	(2,582)
Other property and equipment	(2,278)	(242)	-	-	(2,520)
Carrying amount	**22,286**	**(300)**	**-**	**19**	**22,005**

The appraisal value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €39,918 thousand at 30 June 2017 and €38,800 thousand at 31 December 2016.

IV - 3) Amortisation and depreciation

(in thousands of euros)	First-half 2017	First-half 2016
Amortisation of intangible assets	(209)	(541)
Depreciation of property and equipment	(445)	(401)
Total	**(654)**	**(942)**

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

IV - 4) Investment properties

Accounting policy

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

SFL has chosen to measure investment property using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment property is measured at fair value and gains or losses arising from changes in fair value are recognised in profit. 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 property carried in the Group's statement of financial position correspond to the prices obtained from independent valuations performed using the method described below.

Changes in fair value, which are recognised in the statement of comprehensive income under "Fair value adjustments 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 2017 by Jones Lang LaSalle and Cushman & Wakefield.
The valuations were performed in accordance with the *Charte de l'Expertise en Evaluation Immobilière* (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

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

The Group's portfolio is appraised at half-yearly intervals by a group of two independent firms, each of which is responsible for valuing part of the total portfolio as follows (the percentages below are determined by reference to the total value of the properties, excluding transfer costs):
- Cushman & Wakefield: 50%
- Jones Lang LaSalle: 50%

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 at 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.

Fair value measurement of investment properties

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

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

In IFRS 13, fair value measurements are categorised into a three-level hierarchy. Level 3 concerned 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.

(in thousands of euros)	31 Dec. 2016	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclas-sifications	30 June 2017
Investment properties	5,604,526	19,968	402,699	-	(20,081)	(408,352)	5,598,760
Total	**5,604,526**	**19,968**	**402,699**	**-**	**(20,081)**	**(408,352)**	**5,598,760**

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

(in thousands of euros)	30 June 2017	31 Dec. 2016
Appraisal value of the property portfolio, excluding transfer costs	6,144,248	5,736,416
Deduction of owner-occupied property (see Note IV-2)	(39,918)	(38,800)
Adjustments to reflect specific lease terms and other adjustments	(97,218)	(93,090)
Reclassification of investment properties as held for sale (see Note IV-5)	(408,352)	-
Fair value of investment properties in the statement of financial position	**5,598,760**	**5,604,526**

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

Geographic area	Value excluding transfer costs 30 June 2017 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	4,845	Market rent for offices	€530 - €784	€682
		Exit yield	3.23% - 3.80%	3.44%
		Discount rate	3.80% - 6.10%	4.21%
Other Paris	759	Market rent for offices	€508 - €651	€564
		Exit yield	3.60% - 4.10%	3.84%
		Discount rate	4.25% - 4.75%	4.48%
Western Crescent	540	Market rent for offices	€313 - €474	€458
		Exit yield	4.13% - 5.15%	4.33%
		Discount rate	4.75% - 5.60%	4.97%
Total	**6,144**			

[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 €431,217 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 €500,817 thousand.

IV - 5) Investment properties held for sale

Accounting policy

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.

On 28 April 2017, the Board of Directors decided to sell the IN/OUT building in Boulogne-Billancourt and this property was therefore reclassified as held for sale. The sale of the property was agreed on 25 July 2017 (see Note II-3).

(in thousands of euros)	31 Dec. 2016	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclas-sifications	30 June 2017
Investment properties held for sale	-	-	-	-	-	408,352	408,352
Total	-	-	-	-	-	**408,352**	**408,352**

The IN/OUT property's carrying amount in the consolidated statement of financial position corresponds to its fair value as recorded in the sale agreement, adjusted to take into account the specific lease terms.

V - Operating Activities

V -1) Net property rentals

Accounting policy

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

Rental income

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

Specific lease terms

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

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

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

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

The Group's principal business is the rental of office and retail properties, which account for 98.2% 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 2017, this impact was €7,444 thousand.

(in thousands of euros)	First-half 2017	First-half 2016
Property rentals	**98,627**	**101,964**
Property operating expenses	(24,014)	(24,128)
Property expenses recovered from tenants	17,146	17,727
Property expenses, net of recoveries	**(6,868)**	**(6,401)**
Net property rentals	**91,759**	**95,563**

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	**784,559**	188,176	466,906	129,477

V - 2) Other income

(in thousands of euros)	First-half 2017	First-half 2016
Own-work capitalised	28	54
Other income	352	1,379
Total	**380**	**1,433**

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

V - 3) Trade and other receivables

Accounting policy

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

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

(in thousands of euros)	30 June 2017			31 December 2016
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	112,718	56,049	56,669	103,140
Provisions	(741)	-	(741)	(571)
Trade receivables	**111,977**	**56,049**	**55,928**	**102,569**
Prepayments to suppliers	716	716	-	41
Employee advances	83	83	-	51
Tax receivables (other than income tax)	8,229	8,229	-	8,369
Other operating receivables	2,440	2,440	-	2,738
Other receivables	179	179	-	169
Other receivables	**11,647**	**11,647**	**-**	**11,368**
Total	**123,624**	**67,696**	**55,928**	**113,937**

Trade receivables include €101,150 thousand (of which €46,200 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 2017	31 Dec. 2016
Increases in provisions	(162)	(129)
Reversals of provisions	39	2,731
Bad debt write-offs, net of recoveries	(10)	(33)
Total	**(133)**	**2,569**
Property rentals	98,627	198,137
Net losses as a % of property rentals	**0.13%**	**-1.30%**

V - 4) Other current and non-current assets

(in thousands of euros)	30 June 2017	31 Dec. 2016
Deferred tax assets	87	108
Prepayments	8,253	-
Total other non-current assets	**8,340**	**108**
Income tax prepayments	25	141
Other prepayments	2,713	776
Total other current assets	**2,738**	**917**

Prepayments classified as non-current assets at 30 June 2017 concern the acquisition of the avenue Emile Zola property (see Note II-1).
Deferred tax assets are analysed in Note X-3.

V - 5) Trade and other payables

(in thousands of euros)	30 June 2017	31 Dec. 2016
Trade payables	12,956	7,266
Amounts due within one year on asset acquisitions	10,256	15,221
Total	**23,212**	**22,487**

At 30 June 2017, amounts due within one year on asset acquisitions mainly concerned the Cézanne Saint-Honoré and Washington Plaza properties.

V - 6) Other current and non-current liabilities

(in thousands of euros)	30 June 2017	31 Dec. 2016
Deposits	19,687	19,677
Total other non-current liabilities	**19,687**	**19,677**
Deposits	1,893	1,733
Customer prepayments	22,601	17,996
Accrued payroll costs	3,776	5,127
Accrued taxes	9,438	13,971
Other liabilities	7,236	3,309
Accruals	3,875	2,243
Total other current liabilities	**48,819**	**44,379**

The caption "Other non-current liabilities" correspond mainly to guarantee deposits and bonds received from tenants.
Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the exit tax instalment due in 2018 on the 131 Wagram building for €3,198 thousand, and accrued income tax for €320 thousand.
The amounts reported under "Accruals" correspond to deferred revenue.

V - 7) Other expenses

(in thousands of euros)	First-half 2017	First-half 2016
Fees	(875)	(1,007)
Taxes other than on income	(1,042)	(797)
Other	(2,262)	(2,050)
Total	**(4,179)**	**(3,854)**

VI - Financing Activities

VI - 1) Borrowings and other interest-bearing debt

Accounting policy

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

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

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

(in thousands of euros)	Effective interest rate	Expiry date	30 June 2017	31 Dec. 2016	30 June 2017	31 Dec. 2016
			Short-term portion		Long-term portion	
Bonds						
€500 million 3.50% bond issue, 2012-2017	3.50%	28 Nov. 2017	306,899	301,680	-	-
€500 million 1.875% bond issue, 2014-2021	1.875%	26 Nov. 2021	5,574	925	500,000	500,000
€500 million 2.25% bond issue, 2015-2022	2.25%	16 Nov. 2022	6,996	1,418	500,000	500,000
Bank loans						
Banco Sabadell	Euribor + spread (end of drawdown period)	5 June 2020	2	3	50,000	50,000
BNP Paribas 2015	Euribor + spread (end of drawdown period)	7 July 2020	-	3	-	20,000
BNP Paribas 2016	Euribor + spread (end of drawdown period)	24 May 2021	215	222	150,000	150,000
BECM	Euribor + spread (end of drawdown period)	23 April 2019	90	96	120,000	140,000
Cadif	Euribor + spread (end of drawdown period)	16 June 2023	5	-	100,000	-
Natixis – Deka – Deutsche Hypotheken	1.571%	16 July 2022	2,651	2,636	202,280	203,320
Bank overdrafts	Various		50,890	84,867	-	-
Current account advances (liabilities)	Various		57	70	63,346	63,346
Impact of deferred recognition of debt arranging fees			(2,395)	(2,616)	(6,628)	(7,160)
Total			**370,984**	**389,304**	**1,678,998**	**1,619,506**

The following table analyses borrowings by maturity:

(in thousands of euros)	30 June 2017	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2016
Bonds	1,319,469	319,469	500,000	500,000	1,304,023
BECM loan	120,090	90	120,000	-	140,096
Banco Sabadell loan	50,002	2	50,000	-	50,003
BNP Paribas 2015	-	-	-	-	20,003
BNP Paribas 2016	150,215	215	150,000	-	150,222
Cadif	100,005	5	-	100,000	-
Natixis – Deka – Deutsche Hypotheken loan	204,931	2,651	8,320	193,960	205,956
Current account advances (liabilities)	63,403	57	63,346	-	63,416
Deferred debt arranging fees	(9,023)	(2,395)	(6,334)	(294)	(9,776)
Bank overdrafts	50,890	50,890	-	-	84,867
Total	**2,049,982**	**370,984**	**885,332**	**793,666**	**2,008,810**

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

Debt covenants and acceleration clauses in force at 30 June 2017 concerned lines of credit obtained from BPCE, BECM, BNP Paribas, Cadif, and Banque Postale. They can be broken down as follows:

Applicable ratios	Actual ratios at 30 June 2017	Actual ratios at 31 Dec. 2016	Main acceleration clauses
Loan-to-value (LTV) <= 50%	29.9%	31.7%	Loan default Termination of operations
Interest cover >= 2	3.8	3.7	Bankruptcy proceedings
Secured LTV <= 20%	3.1%	3.4%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€5.6bn	€5.3bn	Material adverse event

The Group was not in breach of any of its financial covenants at 30 June 2017.

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

(in thousands of euros)	First-half 2017	First-half 2016
Interest on bonds and bank loans	(20,292)	(22,511)
Interest on lease liabilities	-	(231)
Interest on external current account advances	(115)	(179)
Other financial expenses	(1,338)	(1,398)
Finance costs and other financial expenses	**(21,745)**	**(24,319)**
Interest income	8	1
Financial expense transfers	599	-
Other financial income	-	6
Financial income	**607**	**7**
Finance costs and other financial income and expenses, net	**(21,138)**	**(24,312)**

Expense transfers in first-half 2017 correspond to finance costs capitalised at the rate of 1.93% during the redevelopment of the Louvre Saint-Honoré building.

VI - 3) Financial instruments

Accounting policy

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates. These instruments are measured at fair value at each period-end.

Standard market valuation methods are used – corresponding to Level 2 inputs in the fair value hierarchy (see Note IV-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 2017, the Group's hedging portfolio comprised a single interest rate swap set up with Crédit Agricole-CIB on which SFL pays the floating rate. The five-year swap was set up on 17 May 2017 with an effective date of 28 November 2017. The notional amount is €100,000 thousand and the fixed interest rate is 0.23%.

At 30 June 2017, the swap had a positive fair value of €115 thousand (including the borrowing cost).

Fair value adjustments on financial instruments

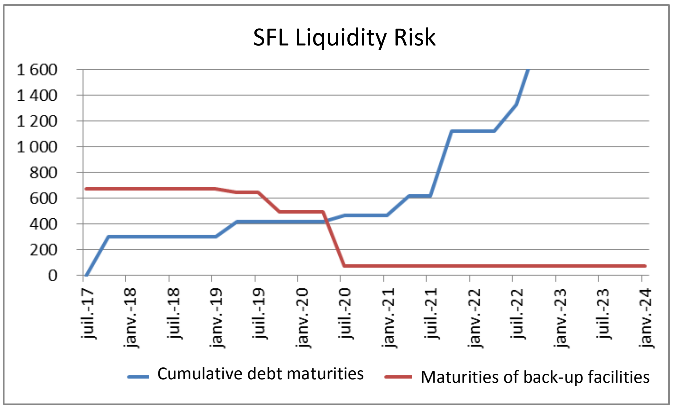
(in thousands of euros)	First-half 2017	First-half 2016
Interest rate hedges	115	(1,253)
Total	**115**	**(1,253)**

VI - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 30 June 2017, SFL had access to confirmed undrawn lines of credit representing €675 million versus €540 million at 31 December 2016. 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 July 2020.



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

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

2 - Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. The contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasised that these same banks finance a portion of the Group's debt. Counterparty 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 did not have any exposure to currency risk at 30 June 2017. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with interest rate fluctuations.

a/ Objectives and strategy

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

b/ Risk assessment

The average spot cost of debt after hedging stood at 1.93% at 30 June 2017, versus 1.95% at 31 December 2016.

A 50-basis point rise in interest rates across the yield curve would have the effect of increasing the average cost of debt to 2.04%, driving up finance costs for first-half 2017 by €1,053 thousand, representing 4.84% of total finance costs for the period. A 50-basis point decline in interest rates across the yield curve would lower the average cost of debt to 1.83%, and reduce finance costs by €1,022 thousand, representing 4.69% of total finance costs for the period.

Concerning hedging instruments, a 50-basis point increase in interest rates would have the effect of increasing the fair value of hedging instruments by €2,432 thousand at 30 June 2017, while a 50-basis point decrease would reduce their fair value by €2,516 thousand at 30 June 2017.

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 2017:

(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	-	120,000	-	-	-	-	120,000
Banco Sabadell loan	-	-	50,000	-	-	-	50,000
Cadif loan	-	-	-	-	-	100,000	100,000
BNP Paribas 2016	-	-	-	150,000	-	-	150,000
Current account advances	-	63,346	-	-	-	-	63,346
Total floating rate debt	**-**	**183,346**	**50,000**	**150,000**	**-**	**100,000**	**483,346**

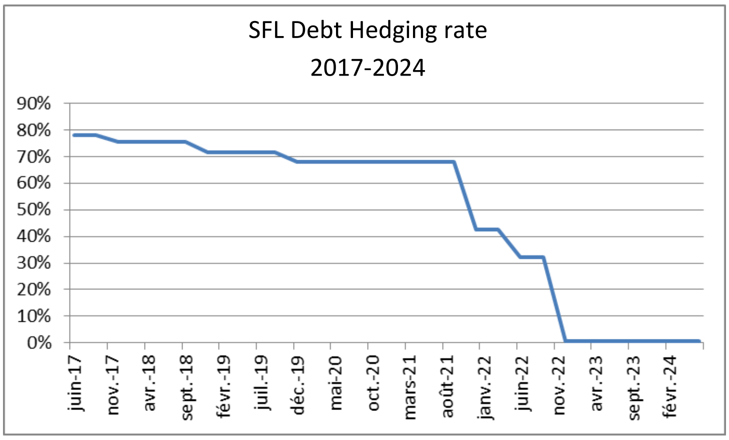
The other financial instruments used by the Group are not listed in the above table because they do not bear interest and are therefore not exposed to any interest rate risk.

Net unhedged position

The Group's net exposure to interest rate risks can be analysed as follows for the period between 30 June 2017 and 30 June 2021:

(in thousands of euros)	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
BECM loan	120,000	120,000	-	-	-
Banco Sabadell loan	50,000	50,000	50,000	-	-
Cadif loan	100,000	100,000	100,000	100,000	100,000
BNP Paribas 2016	150,000	150,000	150,000	150,000	-
Current account advances	63,346	63,346	-	-	-
Total floating rate debt	**483,346**	**483,346**	**300,000**	**250,000**	**100,000**
CA-CIB swap at 0.23%	-	100,000	100,000	100,000	100,000
Net unhedged position	**483,346**	**383,346**	**200,000**	**150,000**	**-**

At 30 June 2017, 78% of debt was hedged against interest rate risks.



Fair value of bonds

The fair value of the Group's outstanding bond issues at 30 June 2017 was €1,363,244 thousand, as follows:

(in thousands of euros)	Nominal value	Maturity	30 June 2017	31 Dec. 2016
November 2012 bonds	300,700	November 2017	305,229	310,295
November 2014 bonds	500,000	November 2021	524,415	526,305
November 2015 bonds	500,000	November 2022	533,600	535,385
Total	**1,300,700**		**1,363,244**	**1,371,985**

VI - 5) Financial assets

Accounting policy

Non-current financial assets comprise investments in non-consolidated companies and deposits paid to third parties.

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

(in thousands of euros)	31 December 2016	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	30 June 2017
Investments in non-consolidated companies	1,071	-	-	-	-	1,071
Provisions for impairment	(1,071)	-	-	-	-	(1,071)
Investments in non-consolidated companies, net	-	-	-	-	-	-
Deposits	699	-	-	(2)	-	697
Interest rate hedges	-	115	-	-	-	115
Total	**699**	**115**	**-**	**(2)**	**-**	**812**

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

VI - 6) Cash and cash equivalents

Accounting policy

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

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

Cash equivalents are measured at fair value, in accordance with IAS 39.

(in thousands of euros)	30 June 2017	31 December 2016
Cash at bank and in hand	27,248	19,766
Total	**27,248**	**19,766**

VII - Equity and Earnings Per Share

VII - 1) Equity

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

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

VII - 2) Treasury shares

Accounting policy

Treasury shares are recorded as a deduction from equity.

(in thousands of euros)	31 Dec. 2016	Increases	Decreases	30 June 2017
Number of treasury shares	362,380	25,935	(74,465)	313,850
Average purchase/sale price, in euros	€61.54	€51.38	€47.27	€64.09
Total	**22,301**	**1,333**	**(3,520)**	**20,114**

VII - 3) Dividends

(in thousands of euros)	First-half 2017		First-half 2016	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	48,512	€1.05	48,506	€1.05
Special dividend paid in current year	-	-	-	-
Total	**48,512**	**€1.05**	**48,506**	**€1.05**

VII - 4) Earnings per share

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

(in thousands of euros)	First-half 2017	First-half 2016
Profit used to calculate basic earnings per share	378,726	309,780
Number of ordinary shares at 30 June	46,528,974	46,528,974
Number of treasury shares at 30 June	(313,850)	(333,210)
Number of ordinary shares at 30 June excluding treasury shares	**46,215,124**	**46,195,764**
Earnings per share	**€8.19**	**€6.71**
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 30 June	(313,850)	(333,210)
Weighted average number of ordinary shares excluding treasury shares	**46,215,124**	**46,195,764**
Basic earnings per weighted average share	**€8.19**	**€6.71**

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

VII - 5) Non-controlling interests in net profit

(in thousands of euros)	First-half 2017	First-half 2016
SCI Washington	**11,973**	**18,029**
Property rentals	*3,331*	*3,518*
Fair value adjustments on investment properties	*8,791*	*14,571*
Net financial expense	*(78)*	*(123)*
Other	*(71)*	*63*
Parholding subgroup	**27,925**	**9,586**
Property rentals	*7,146*	*7,234*
Fair value adjustments on investment properties	*34,731*	*8,865*
Net financial expense	*(923)*	*(956)*
Deferred tax	*(10,912)*	*(3,838)*
Current tax	*(1,678)*	*(1,290)*
Other	*(439)*	*(429)*
Total	**39,898**	**27,615**

VIII - Provisions

VIII - 1) Short and long-term provisions

Accounting policy

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

(in thousands of euros)	31 Dec. 2016	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	30 June 2017
Provisions for refurbishment work and tenant claims	2,070	-	(2,070)	-	-	-
Provisions for employee benefits	932	169	(9)	-	(95)	997
Long-term provisions	**3,002**	**169**	**(2,079)**	**-**	**(95)**	**997**
Provisions for refurbishment work and tenant claims	356	-	-	-	-	356
Provisions for employee benefits	65	-	-	-	-	65
Short-term provisions	**421**	-	-	-	-	**421**
Total	**3,423**	**169**	**(2,079)**	**-**	**(95)**	**1,418**

The dispute between SFL and a former tenant was settled in SFL's favour during the first half and the corresponding provision of €2,070 thousand was therefore reversed at 30 June 2017.

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €821 thousand. See Note IX-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €12 thousand at 30 June 2017, unchanged from 31 December 2016.

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

(in thousands of euros)	First-half 2017	First-half 2016
Charges to provisions for impairment of current assets	(162)	(160)
Charges to provisions for operating contingencies and charges	(104)	(26)
Charges to provisions for other contingencies and charges	(63)	(84)
Total charges	**(329)**	**(270)**
Reversals of provisions for impairment of current assets	39	99
Reversals of provisions for operating contingencies and charges	2,070	-
Reversals of provisions for other contingencies and charges	9	144
Total reversals	**2,118**	**243**
Total	**1,789**	**(27)**

See Note VIII-1 for details of the provision for contingencies and charges reversed in first-half 2017.

IX - Remuneration and Other Employee Benefits

IX - 1) Employee benefits expense

The Group had 75 administrative staff (including two corporate officers) and two building staff at 30 June 2017 compared with 72 administrative staff and two building staff at 30 June 2016.

Employee benefits expense breaks down as follows:

(in thousands of euros)	First-half 2017	First-half 2016
Wages and salaries	(3,754)	(3,319)
Payroll taxes	(1,891)	(1,701)
Other employee benefits	(730)	(490)
Statutory and discretionary profit-sharing	(218)	(268)
Total	**(6,593)**	**(5,778)**

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

Accounting policy

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

Measurement method

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

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

(in thousands of euros)	30 June 2017	31 Dec. 2016
Projected benefit obligation at beginning of period	**862**	**1,011**
Benefits paid during the period	-	(45)
Service cost	45	66
Interest cost	9	47
Actuarial gains and losses	(95)	(217)
Projected benefit obligation at period-end	**821**	**862**

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including, at 30 June 2017, a discount rate of 1.67% (31 December 2016: 1.31%) and a 1.50% rate of future salary increases (31 December 2016: 1.50%). Actuarial gains and losses are recognised in equity.
A 25-bps reduction in the discount rate at 30 June 2017 would lead to a €16-thousand increase in the projected benefit obligation at that date.

The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.
- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 20, 30, 35 and 40 years of service with the SFL Group, and one month's salary to building staff who complete 25 years of service.

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

IX - 3) Share-based payments

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

Measurement method

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

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

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

Details of performance share plans at 30 June 2017

	Plan no. 3	Plan no. 4	Plan no. 4
Date of shareholder authorisation	22 April 2015	13 Nov. 2015	13Nov. 2015
Grant date (date of Board meeting)	17 June 2015	26 April 2016	03 March 2017
Initial target number of shares	27,328	32,036	33,376
Initial expected vesting rate	70.83%	70.83%	70.83%
Initial number of shares expected to vest	19,356	22,691	23,640
Fair value per share	€36.08	€41.49	€42.61
Rights cancelled/forfeited	(1,883)	(356)	(228)
Expected vesting rate at 30 June 2017	125.00%	100.00%	100.00%
Number of shares expected to vest at 30 June 2017	**31,805**	**31,680**	**33,148**

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 15 business days after the publication by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year after the grant date.
- Lock-up period: the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

Accounting treatment

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period. At 30 June 2017, the rates applied were 125% for the 2015 plan (probable ranking: no. 2) and 100% for the 2016 and 2017 plans (probable ranking: no.3).

During first-half 2017, a total of 26,725 performance shares vested under 2014 Plan no.1.

The cost of performance share plans recognised in first-half 2017 amounted to €730 thousand (excluding specific employer contributions).

IX - 4) Related party information

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

(in thousands of euros)	First-half 2017	First-half 2016
Short-term benefits, excluding payroll taxes[1]	2,404	2,101
Payroll taxes on short-term benefits	782	728
Share-based payments[2]	471	311
Directors' fees	353	182
Total	**4,010**	**3,322**

[1] *Gross salary and other remuneration, bonuses, statutory and discretionary profit-sharing, matching Company payments and termination benefits paid during the year.*

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

At 30 June 2017, related-party transactions comprise current account advances representing the share of the minority shareholder, Prédica, in SCI Washington and SAS Parholding (see Note VI-I).

X - Income Taxes

X - 1) Exit tax and deferred tax liabilities

Accounting policy

Non-current liabilities with fixed maturities are discounted.

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

Due	2018	2019	2020	Total
Amount payable	-	3,136	3,076	6,212

This item includes the long-term portion of the exit tax due as a result of the exercise, in June 2016, of the finance lease purchase option on the 131 Wagram property. The €13-million tax liability is payable in four annual instalments between 2017 and 2020 and has been discounted.

X - 2) Income tax expense

Accounting policy

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

Current income tax expense for first-half 2017 amounted to €3,487 thousand versus €18,565 thousand for the same period of 2016.

The difference was due to the recognition in first-half 2016 of a tax expense of €15,914 thousand following the exercise of the option to acquire the 131 Wagram property.

Income tax expense for the Parholding tax group stood at €3,355 thousand in first-half 2017.

X - 3) Deferred taxes

Accounting policy

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

The election for taxation as 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 businesses that are not taxed as SIICs (certain non-qualifying partnerships).

Deferred tax assets and liabilities are calculated for all temporary differences using the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, i.e., 28% following enactment of France's 2017 Finance Act providing for a gradual reduction in the corporate income tax rate. If the criteria for applying the 28% rate are not fulfilled, the tax rate at the period-end is used, i.e., 33.33%.

(in thousands of euros)	Statement of Financial Position 31 Dec. 2016	Equity	Statement of Comprehensive Income	Statement of Financial Position 30 June 2017
Fair value adjustments on investment properties	(139,383)	-	(20,091)	(159,474)
Adjustment of depreciation	(19,322)	(83)	(1,873)	(21,280)
Adjustment of property rentals	(1,759)	-	133	(1,626)
Capitalisation of interest expense and transaction costs	(521)	-	-	(521)
Other	(767)	-	(14)	(781)
Net	(161,752)	(83)	(21,845)	(183,680)
Of which: deferred tax assets	108	-	(21)	87
Of which: deferred tax liabilities	(161,860)	(83)	(21,824)	(183,767)

XI - Off-Balance Sheet Commitments

XI - 1) Operations-related commitments

Guarantees

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Property guarantees	403	403	-	-
Commitments received				
Guarantees received from tenants	52,640	1,942	13,029	37,669
Guarantees received from suppliers	31	31	-	-
Total commitments received	**52,671**	**1,973**	**13,029**	**37,669**

Purchase commitments

Following the purchase of the SMA building in January 2017 (see Note II-1), the Group gave a commitment to pay the purchase price on the date when title to the property is transferred, in principle during the fourth quarter of 2017 once the current occupant has moved out. SFL also issued a first demand guarantee of €132,017 thousand to the vendors, covering this commitment.

Contractual redevelopment and renovation obligations

At 30 June 2017, the Group's contractual commitments relating to investment properties undergoing renovation totalled €22,692 thousand (€10,548 thousand at 31 December 2016), of which €20,117 thousand concerned the Louvre Saint-Honoré, Emile Zola, Iéna, Cézanne Saint-Honoré and Edouard VII properties.

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

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**

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	-
Banque Postale loan	75,000	-	-	75,000
Banco Sabadell loan	20,000	-	20,000	-
BECM loan	30,000	-	30,000	-
Total	**675,000**	**-**	**600,000**	**75,000**

XI - 3) Employee-related commitments

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

At 30 June 2017, total commitments for the payment of compensation amounted to €3,017 thousand.

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

No related provisions have been recorded in the financial statements.

XII - Note to the statement of cash flows

(in thousands of euros)	First-half 2017	First-half 2016
Acquisitions of and improvements to investment properties		
Purchase price	-	-
Transaction costs	-	-
Work	(24,185)	(25,731)
Total	**(24,185)**	**(25,731)**
Cash and cash equivalents at end of period		
Short-term investments	-	-
Cash at bank and in hand	27,248	14,104
Bank overdrafts	(50,890)	(25,391)
Total	**(23,642)**	**(11,287)**

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

XIII - Scope of Consolidation

Consolidated companies	Registration no.	Percentage (%)	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS 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 58.6% of the capital at 30 June 2017.
The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

4. STATUTORY AUDITORS' REVIEW REPORT ON THE 2017 INTERIM FINANCIAL INFORMATION

Six months ended 30 June 2017

PricewaterhouseCoopers Audit 63, rue de Villiers 92200 Neuilly-sur-Seine	Deloitte & Associés 185, avenue Charles de Gaulle 92524 Neuilly-sur-Seine Cedex

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
Société Anonyme
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 2017;

- 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 2017

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Philippe Guéguen	Laure Silvestre-Siaz

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

I hereby declare that, to the best of my knowledge, the consolidated financial statements for the six months ended 30 June 2017 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 2017

Nicolas Reynaud
Chief Executive Officer

SOCIETE FONCIERE LYONNAISE

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