SOCIÉTÉ FONCIÈRE LYONNAISE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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The consolidated financial statements were approved for publication by the Board of Directors on 6 February 2020.

A – Consolidated Statement of Financial Position

(in thousands of euros) ASSETS	Notes Section E	31 Dec. 2019	31 Dec. 2018
Intangible assets	IV-1	532	659
Property and equipment	IV-2	20,325	20,834
Investment property	IV-5	7,045,049	6,458,430
Non-current financial assets	VI-5	8,225	820
Other non-current assets	V-4	8,233	32
Total non-current assets		**7,082,364**	**6,480,775**
Trade and other receivables	V-3	78,735	82,351
Other current assets	V-4	234	371
Cash and cash equivalents	VI-6	54,002	25,304
Total current assets		**132,971**	**108,026**
Total assets		**7,215,335**	**6,588,801**

(in thousands of euros) EQUITY AND LIABILITIES	Notes Section E	31 Dec. 2019	31 Dec. 2018
Share capital		93,058	93,058
Reserves		3,802,389	3,565,162
Profit for the year		589,758	351,636
Equity attributable to owners of the parent		**4,485,205**	**4,009,856**
Non-controlling interests		551,770	502,107
Total non-controlling interests		**551,770**	**502,107**
Total equity	**VII-1**	**5,036,975**	**4,511,963**
Long-term borrowings and derivative instruments	VI-1	1,441,490	1,494,080
Long-term provisions	VIII-1	1,414	1,220
Deferred tax liabilities	X-3	221,571	205,062
Accrued taxes	X-1	5,142	13,368
Other non-current liabilities	V-6	26,870	23,214
Total non-current liabilities		**1,696,487**	**1,736,944**
Trade and other payables	V-5	26,196	25,320
Short-term borrowings and other interest-bearing debt	VI-1	392,814	268,958
Short-term provisions	VIII-1	1,123	1,349
Other current liabilities	V-6	61,740	44,267
Total current liabilities		**481,873**	**339,894**
Total equity and liabilities		**7,215,335**	**6,588,801**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2019	2018
Rental income		**198,710**	**193,509**
Gross property expenses		(42,902)	(43,334)
Property expenses recovered from tenants		33,005	32,561
Property expenses, net of recoveries		(9,897)	(10,773)
Net property rentals	**V-1**	**188,813**	**182,736**
Other income	V-2	9,003	4,009
Depreciation, amortisation and impairment	IV-3	(1,386)	(1,569)
Provision expense, net	VIII-2	(728)	(1,304)
Employee benefits expense	IX-1	(13,682)	(12,788)
Other expenses	V-7	(9,254)	(8,987)
Profit/(loss) on disposal of other assets	IV-4	(3)	(6)
Profit on disposal of investment property		-	22
Fair value adjustments to investment property	IV-5	526,889	289,014
Operating profit		**699,652**	**451,127**
Finance costs and other financial expenses	VI-2	(31,577)	(36,728)
Financial income	VI-2	4,954	4,276
Fair value adjustments to financial instruments	VI-3	(1,181)	(18,987)
Discounting adjustments to receivables and payables		(319)	(548)
Profit before income tax		**671,529**	**399,140**
Income tax expense	X-2-3	(23,809)	(14,494)
Profit for the year		**647,720**	**384,646**
Attributable to owners of the parent		**589,758**	**351,636**
Attributable to non-controlling interests	VII-5	57,962	33,010
Earnings per share	VII-4	€12.74	€7.60
Diluted earnings per share	VII-4	€12.71	€7.59

Other comprehensive income			
Actuarial gains and losses	VIII-1	(57)	8
Other items		-	(15)
Items that will not be reclassified to profit or loss		(57)	(7)
Valuation gains and losses on financial instruments (cash flow hedges)	VI-5	5,697	-
Deferred tax impact of valuation gains and losses on financial instruments		-	-
Items that may be reclassified subsequently to profit or loss		5,697	-
Other comprehensive income/(loss)		**5,640**	**(7)**
Comprehensive income		**653,360**	**384,639**
Attributable to owners of the parent		**595,398**	**351,629**
Attributable to non-controlling interests		57,962	33,010

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the year	Equity attributable to owners of the parent	Equity attributable to non-controlling interests
Equity at 31 December 2017	**93,058**	**556,116**	**22,621**	**(18,022)**	**-**	**2,423,898**	**685,284**	**3,762,953**	**476,019**
Movements for the year									
Profit for the year	-	-	-	-	-	-	351,636	351,636	33,010
Other comprehensive income/(loss), net of tax	-	-	-	-	-	(7)	-	(7)	-
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**(7)**	**351,636**	**351,629**	**33,010**
Appropriation of profit	-	-	-	-	-	685,284	(685,284)	-	-
Treasury share transactions	-	-	-	1,446	-	-	-	1,446	-
Gains and losses on sales of treasury shares	-	-	-	(1,741)	-	-	-	(1,741)	-
Share-based payments	-	-	-	-	-	1,952	-	1,952	-
Dividends paid to owners of the parent	-	-	-	-	-	(106,383)	-	(106,383)	(6,922)
Equity at 31 December 2018	**93,058**	**556,116**	**22,621**	**(18,317)**	**-**	**3,004,744**	**351,636**	**4,009,856**	**502,107**
Movements for the year									
Profit for the year	-	-	-	-	-	-	589,758	589,758	57,962
Other comprehensive income/(loss), net of tax	-	-	-	-	5,697	(57)	-	5,640	-
Comprehensive income	**-**	**-**	**-**	**-**	**5,697**	**(57)**	**589,758**	**595,398**	**57,962**
Appropriation of profit	-	-	-	-	-	351,636	(351,636)	-	-
Treasury share transactions	-	-	-	2,774	-	-	-	2,774	-
Gains and losses on sales of treasury shares	-	-	-	(2,393)	-	-	-	(2,393)	-
Share-based payments	-	-	-	-	-	2,282	-	2,282	-
Dividends paid to owners of the parent	-	-	-	-	-	(122,711)	-	(122,711)	(8,299)
Equity at 31 December 2019	**93,058**	**556,116**	**22,621**	**(17,936)**	**5,697**	**3,235,894**	**589,758**	**4,485,205**	**551,770**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2019	2018
Cash flows from operating activities			
Profit for the year attributable to owners of the parent		589,758	351,636
Fair value adjustments to investment property	IV-5	(526,889)	(289,014)
Depreciation, amortisation and impairment	IV-3	1,386	1,569
Net additions to provisions		447	1,100
Net (gains)/losses from disposals of assets, after tax	IV-4	3	(16)
Discounting adjustments and valuation losses on financial instruments		1,500	19,534
Deferral of rent-free years and key money	V-1	3,568	529
Employee benefits	IX-3	2,282	1,952
Non-controlling interests in profit for the year	VII-5	57,962	33,010
Cash flow after finance costs and income tax		**130,017**	**120,300**
Finance costs	VI-2	26,623	32,452
Income tax	X-2-3	23,809	14,494
Cash flow before finance costs and income tax		**180,449**	**167,246**
Change in working capital		6,904	276
Interest paid		(29,048)	(28,827)
Interest received		73	21
Income tax paid		(16,081)	(15,837)
Net cash provided by operating activities		**142,297**	**122,879**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XII	(63,754)	(38,106)
Acquisitions of intangible assets and property and equipment		(754)	(245)
Proceeds from disposals of investment property, intangible assets and property and equipment		1	255
Other cash inflows and outflows		(2,300)	468
Net cash provided by (used by) investing activities		**(66,807)**	**(37,628)**
Cash flows from financing activities			
Purchases and sales of treasury shares, net		381	(295)
Dividends paid to owners of the parent	VII-3	(122,711)	(106,383)
Dividends paid to non-controlling interests		(8,299)	(6,921)
Proceeds from new borrowings		1,509,936	1,269,204
Repayments of borrowings		(1,426,050)	(1,180,350)
Other movements in financing items		(49)	(17,512)
Net cash provided by (used by) financing activities		**(46,792)**	**(42,257)**
Net change in cash and cash equivalents		**28,698**	**42,994**
Cash and cash equivalents at beginning of year		25,304	(17,690)
Cash and cash equivalents at end of year	XII	54,002	25,304
Net change in cash and cash equivalents		**28,698**	**42,994**

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

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

I - 1) Accounting standards

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

The following standards published by the IASB and adopted by the European Union are effective for the period ended 31 December 2019:

- IFRS 16 – Leases. This standard, which replaces IAS 17, requires all leases to be recognised in the financial statements of the lessee, in order to improve visibility of the lessee's assets and liabilities. In the financial statements of the lessor, leases are classified between operating leases and finance leases. The SFL Group does not have any finance leases. The Group has prepared an inventory of its leases under which it is lessee, which have been identified as concerning fewer than a dozen company cars and photocopiers. The estimated full-year impact of applying IFRS 16 is an increase in assets and liabilities of less than €300 thousand, resulting from the recognition of right-of-use assets and lease liabilities for the same amounts. This represents only slightly more than 1% of property and equipment and total other current and non-current liabilities. The above impact is not material.

- Annual Improvements to IFRSs, 2015-2017 cycle. Narrow scope amendments have been made to four IFRSs. The amendment to IAS 23 clarifies how to determine the amount of borrowing costs to be capitalised as part of the cost of an asset when general or specific borrowings are used to fund the asset. The capitalisation rate to be applied to expenditures on the asset corresponds to the weighted average of the borrowing costs applicable to the borrowings of the entity, other than borrowings made specifically for the purpose of obtaining the asset. No funds have been borrowed specifically by the Group to fund qualifying assets.

The following amendments published by the IASB had not yet been adopted by the European Union at 31 December 2019, or had been adopted by the European Union at 31 December 2019 but are effective for periods beginning on or after 1 January 2020:

- Amendments to IAS 1 & IAS 8 – Definition of "material". The IASB has published amendments to its definition of "material" to make it easier for management to exercise judgement when assessing materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

- Narrow scope amendments to IFRS 3 – Definition of a business. These amendments are designed to help entities determine whether they have acquired a business or a group of assets for the purpose of applying IFRS 3 – Business Combinations. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the transaction does not qualify as a business combination.

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 year as those of SFL and have been prepared according to the same accounting policies. Intragroup transactions are eliminated in consolidation.

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

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

The Group has chosen to measure investment property using the fair value model (see Note IV-5).

I - 3) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations.

A reduction in the value assessed by these experts would lead to a decrease in the Group's earnings (see Note IV-5).

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

SFL signed leases on more than 56,000 sq.m. in 2019, including 34,000 sq.m. of office space. One of the main new leases concerned the 106 Haussmann building (12,000 sq.m.), which was vacated by the existing tenant at the end of 2019 and has been pre-let to WeWork. New leases on retail space (over 21,000 sq.m.) mainly corresponded to the turnkey lease with the Richemont Group on retail space in the Louvre-Saint-Honoré complex, which was taken into account following fulfilment of the conditions precedent.

II - Significant Events of the Year

II - 1) Redevelopment and renovation programmes

Properties undergoing development at 31 December 2019 represented roughly 18% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:

- Retail space in the Louvre-Saint-Honoré complex, for which the planning appeal process for the new building permit obtained in March 2019 has now ended (the permit is now final). Delivery is scheduled for 2023 under a turnkey lease on over 20,000 sq.m., for which the conditions precedent were fulfilled at the end of 2019. Renovation work is due to begin in the first half of 2020.

- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.), which will be comprehensively remodelled over the next two years. The planning appeal process for the building permit obtained in May 2018 has ended (the permit is now final), the property has been cleared and prepared for renovation and remodelling work has begun.

- The office building at 83 avenue Marceau (approximately 9,000 sq.m.), which is in the process of being redeveloped, with delivery scheduled for 2021.

No properties were purchased or sold during 2019.

II - 2) Financing

In June 2019, a €390 million, five-year syndicated revolving line of credit was set up with SFL's banking pool. This new facility cancels and replaces a previous €400 million syndicated revolving line of credit that was reduced to €250 million in 2018 and was due to expire in July 2020.

The negotiable European commercial paper (NEU-CP) programme set up in 2018 was increased during the year from €300 million to €500 million. Issuance under the programme amounted to €387 million at 31 December 2019.

In the third quarter of 2019, new interest rate hedges were set up on a total notional amount of €300 million, allowing the Group to benefit from very attractive interest rates.

All these transactions have enabled the Group to extend the average maturity of its debt while continuing to enjoy historically low average borrowing costs.

II - 3) Subsequent events

None.

III - Segment Information

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

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2019
Rental income	**163,241**	**33,369**	**2,100**	**-**	**198,710**
Gross property expenses	(34,455)	(7,016)	(1,431)	-	(42,902)
Property expenses recovered from tenants	26,994	5,521	490	-	33,005
Property expenses, net of recoveries	(7,462)	(1,494)	(941)	-	(9,897)
Net property rentals	**155,779**	**31,875**	**1,159**	**-**	**188,813**
Other income	5,980	952	471	1,600	9,003
Depreciation, amortisation and impairment	-	-	-	(1,386)	(1,386)
Provision expense, net	(257)	307	-	(778)	(728)
Employee benefits expense	-	-	-	(13,682)	(13,682)
Other expenses	-	-	-	(9,254)	(9,254)
Profit/(loss) on disposal of other assets	-	-	-	(3)	(3)
Profit on disposal of investment property	-	-	-	-	-
Fair value adjustments to investment property	458,400	55,971	12,518	-	526,889
Operating profit	**619,902**	**89,105**	**14,148**	**(23,503)**	**699,652**
Finance costs and other financial expenses	-	-	-	(31,577)	(31,577)
Financial income	-	-	-	4,954	4,954
Fair value adjustments to financial instruments	-	-	-	(1,181)	(1,181)
Discounting adjustments to receivables and payables	-	-	-	(319)	(319)
Profit before income tax	**619,902**	**89,105**	**14,148**	**(51,626)**	**671,529**
Income tax benefit/(expense)	-	-	-	(23,809)	(23,809)
Profit/(loss) for the year	**619,902**	**89,105**	**14,148**	**(75,435)**	**647,720**
Attributable to owners of the parent	**548,104**	**89,105**	**14,148**	**(61,599)**	**589,758**
Attributable to non-controlling interests	71,798	-	-	(13,836)	57,962
Other comprehensive income					
Actuarial gains and losses	-	-	-	(57)	(57)
Other comprehensive income	-	-	-	-	-
Items that will not be reclassified to profit or loss	-	-	-	(57)	(57)
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	5,697	5,697
Deferred tax impact of valuation gains and losses on financial instruments	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	5,697	5,697
Other comprehensive income	**-**	**-**	**-**	**5,640**	**5,640**
Comprehensive income/(expenses)	**619,902**	**89,105**	**14,148**	**(69,795)**	**653,360**
Attributable to owners of the parent	**548,104**	**89,105**	**14,148**	**(55,959)**	**595,398**
Attributable to non-controlling interests	71,798	-	-	(13,836)	57,962

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2019
Segment assets	5,902,113	1,099,422	114,736	80,750	7,197,021
Unallocated assets	-	-	-	18,314	18,314
Total assets	**5,902,113**	**1,099,422**	**114,736**	**99,064**	**7,215,335**

The segment analysis for the previous year breaks down as follows:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2018
Rental income	**160,490**	**30,074**	**2,945**	**-**	**193,509**
Gross property expenses	(35,192)	(6,661)	(1,481)	-	(43,334)
Property expenses recovered from tenants	26,354	5,553	654	-	32,561
Property expenses, net of recoveries	(8,838)	(1,108)	(827)	-	(10,773)
Net property rentals	**151,652**	**28,966**	**2,118**	**-**	**182,736**
Other income	2,771	731	441	66	4,009
Depreciation, amortisation and impairment	-	-	-	(1,569)	(1,569)
Provision (expense)/reversals, net	(307)	(348)	-	(649)	(1,304)
Employee benefits expense	-	-	-	(12,788)	(12,788)
Other expenses	-	-	-	(8,987)	(8,987)
Profit/(loss) on disposal of other assets	-	-	-	(6)	(6)
Profit on disposal of investment property	-	22	-	-	22
Fair value adjustments to investment property	257,000	32,113	(99)	-	289,014
Operating profit	**411,116**	**61,484**	**2,460**	**(23,933)**	**451,127**
Finance costs and other financial expenses	-	-	-	(36,728)	(36,728)
Financial income	-	-	-	4,276	4,276
Fair value adjustments to financial instruments	-	-	-	(18,987)	(18,987)
Discounting adjustments to receivables and payables	-	-	-	(548)	(548)
Profit/(loss) before income tax	**411,116**	**61,484**	**2,460**	**(75,920)**	**399,140**
Income tax expense	(5,168)	-	-	(9,326)	(14,494)
Profit/(loss) for the year	**405,948**	**61,484**	**2,460**	**(85,246)**	**384,646**
Attributable to owners of the parent	**366,024**	**61,484**	**2,460**	**(78,332)**	**351,636**
Attributable to non-controlling interests	39,924	-	-	(6,914)	33,010
Other comprehensive income					
Actuarial gains and losses	-	-	-	8	8
Other comprehensive income/(expenses)	-	-	-	(15)	(15)
Items that will not be reclassified to profit or loss	-	-	-	(7)	(7)
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	-	-
Deferred tax impact of valuation gains and losses on financial instruments	-	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-	-
Other comprehensive income/(loss)	**-**	**-**	**-**	**(7)**	**(7)**
Comprehensive income/(loss)	**405,948**	**61,484**	**2,460**	**(85,253)**	**384,639**
Attributable to owners of the parent	**366,024**	**61,484**	**2,460**	**(78,339)**	**351,629**
Attributable to non-controlling interests	39,924	-	-	(6,914)	33,010

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2018
Segment assets	5,341,502	1,018,795	98,134	47,740	6,506,171
Unallocated assets	-	-	-	82,630	82,630
Total assets	**5,341,502**	**1,018,795**	**98,134**	**130,370**	**6,588,801**

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

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

The Group's main geographical segments are as follows:

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

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

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

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

IV - Intangible Assets, Property and Equipment, and Investment Property

IV - 1) Intangible assets

Accounting policy

Intangible assets correspond mainly to purchased software and software development costs incurred in connection with the Group's systems upgrades, 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. 2018	Increases	Decreases	Reclassifications	31 Dec. 2019
Cost					
Computer software	6,701	-	-	49	6,750
Other	910	343	-	(49)	1,204
Amortisation and impairment					
Computer software	(6,504)	(131)	-	-	(6,635)
Other	(448)	(339)	-	-	(787)
Carrying amount	**659**	**(127)**	**-**	**-**	**532**

IV - 2) Property and equipment

Accounting policy

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

Washington Plaza owner-occupied property:

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

Other:

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

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

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	Reclassifications	31 Dec. 2019
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other property and equipment	5,982	410	(131)	-	6,261
Depreciation and impairment					
Owner-occupied property	(3,141)	(366)	-	-	(3,507)
Other property and equipment	(3,245)	(550)	128	-	(3,667)
Carrying amount	**20,834**	**(506)**	**(3)**	**-**	**20,325**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €48,291 thousand at 31 December 2019 and €43,261 thousand at 31 December 2018.

IV - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2019	2018
Amortisation and impairment of intangible assets	(470)	(707)
Depreciation and impairment of property and equipment	(916)	(862)
Total	**(1,386)**	**(1,569)**

Amortisation and impairment of intangible assets relate to computer software. Depreciation and impairment of property and equipment concern owner-occupied property (corresponding to the Company's headquarters) and other property and equipment.

IV - 4) Profit/(loss) on disposal of other assets

The loss on disposal of other assets in 2019 arose mainly from sales of small items of furniture.

IV - 5) Investment property

Accounting policy

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

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

The properties are initially recognised at cost. SFL has chosen to measure investment property in subsequent periods 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 or loss. Investment property is not depreciated.

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

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

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.

Investment property is reclassified as held for sale when the sale has been decided by the Board of Directors or a selling agent has been appointed. It continues to be measured at fair value after reclassification in accordance with IFRS 5.

Valuation method

The Group's entire property portfolio was valued at 31 December 2019 by CBRE 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: 58%
- CBRE: 42%

The firms ensure that their internal teams are rotated as required. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them. The valuers’ fees are agreed before the appraisal process begins and do not depend in any way on the value of the properties to be appraised. They are determined at a flat rate based exclusively on the number of properties to be valued and the complexity of the appraisal process. Fees paid to the valuers in 2019 other than for half-yearly property appraisals amounted to €366 thousand, and mainly relate to project management services provided by Jones Lang LaSalle, which contributed to the valuations at 30 June.

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 year beyond the lease expiry dates, any rent-free years and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC), office rent index (ILAT) and retail rent index (ILC). Each property is analysed in detail, according to the type of use and the surface area of each unit, lease by lease.
Based on information provided by the Group, the valuers noted that rents on certain units were above or below market rents for the year 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. The value of assets in the process of being redeveloped or renovated includes the estimated cost of completing the work.

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 year-end.

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

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

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

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

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

Fair value measurement of investment property

(in thousands of euros)	31 Dec. 2018	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2019
Investment property	6,458,430	59,730	528,491	-	(1,602)	-	7,045,049
Total	**6,458,430**	**59,730**	**528,491**	**-**	**(1,602)**	**-**	**7,045,049**

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

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Appraisal value of investment property, excluding transfer costs	7,157,690	6,569,609
Deduction of owner-occupied property (see Note IV-2)	(48,291)	(43,261)
Adjustments to reflect specific lease terms and other adjustments	(64,350)	(67,917)
Fair value of investment property in the statement of financial position	**7,045,049**	**6,458,430**

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

Geographic area	Value excluding transfer costs 31 December 2019 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	5,944	Market rent for offices	€630 - €840	€755
		Exit yield	2.90% - 3.20%	3.15%
		Discount rate	3.90% - 4.70%	4.12%
Other Paris	1,099	Market rent for offices	€548 - €736	€613
		Exit yield	3.20% - 3.60%	3.44%
		Discount rate	4.10% - 5.80%	4.64%
Western Crescent	115	Market rent for offices	€313 - €523	€462
		Exit yield	3.64% - 4.95%	4.01%
		Discount rate	4.50% - 5.95%	4.91%
Total	**7,158**			

[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 €566,829 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 €667,713 thousand.

V - Operating Activities

V -1) Net property rentals

Accounting policy

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

Rental income
Rental income from investment property is recognised on a straight-line basis over the fixed lease term. The transfer of economic benefits corresponds to the date stipulated in the contract, or to the tenant's entry date if stipulated in the contract. Rental income also comprises income from external management contracts.

Specific lease terms
Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation. In compliance with IFRS 16, 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.

Property expenses
Following a more detailed analysis of the principal versus agent distinction under IFRS 15, the Group concluded that it acts as principal. Accordingly, it now presents gross property expenses separately from property expenses recovered from tenants in the statement of comprehensive income.

The Group's principal business is the rental of office and retail properties. Net property rentals take into account the negative impact of recognising rent-free periods and rent step-ups over the non-cancellable lease term. In 2019, this impact was €3,568 thousand. Revenue from external management contracts amounted to €10,874 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 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years
Rental income	1,081,928	183,585	156,885	127,007	108,260	81,530	424,661

V - 2) Other income

(in thousands of euros)	2019	2018
Own-work capitalised	1,490	58
Other income	7,513	3,951
Total	9,003	4,009

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 amortised cost, corresponding to the initial invoice amount. Upon origination, the receivables are written down using the simplified expected loss-to-maturity model, in accordance with IFRS 9. The model is based on observed actual historical losses and projections of expected future losses taking into account identified risk factors. In subsequent periods, the collection risk is systematically reviewed on a case-by-case basis, and a loss allowance is recorded if necessary to reflect the incurred risk.

(in thousands of euros)	31 Dec. 2019			31 Dec. 2018
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	69,364	19,250	50,114	74,261
Provisions	(1,417)	(194)	(1,223)	(1,575)
Trade receivables	**67,947**	**19,056**	**48,891**	**72,686**
Prepayments to suppliers	63	63	-	27
Employee advances	11	11	-	19
Tax receivables (other than income tax)	8,430	8,430	-	7,393
Other operating receivables	1,773	1,773	-	1,994
Other receivables	511	511	-	232
Other receivables	**10,788**	**10,788**	**-**	**9,665**
Total	78,735	29,844	48,891	82,351

Trade receivables include outstanding receivables, and receivables relating to the recognition of rent-free periods and other special lease terms in accordance with IFRS for an amount of €64,350 thousand (of which €16,382 thousand is due within one year). Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	2019	2018
Increases in provisions	(323)	(242)
Reversals of provisions	41	38
Bad debt write-offs, net of recoveries	(3)	(5)
Total	**(285)**	**(209)**
Rental income	198,710	193,509
Net losses as a % of rental income	**0.14%**	**0.11%**

V - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Deferred tax assets	-	32
Prepayments	8,233	-
Total other non-current assets	**8,233**	**32**
Income tax prepayments	173	158
Prepayments	61	213
Total other current assets	**234**	**371**

Prepayments recorded under “Non-current assets” concern redevelopment work on the 83 Marceau property.

V - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Trade payables	8,247	6,697
Amounts due within one year on asset acquisitions	17,949	18,623
Total	**26,196**	**25,320**

V - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Deposits	26,870	23,214
Total other non-current liabilities	**26,870**	**23,214**
Deposits	14,425	2,207
Customer prepayments	22,800	19,997
Accrued employee benefits expense	5,494	5,157
Accrued taxes	13,771	12,648
Other liabilities	4,794	3,682
Accruals	456	576
Total other current liabilities	**61,740**	**44,267**

The caption "Deposits" corresponds mainly to guarantee deposits and bonds received from tenants.
Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.
Accrued taxes include the exit tax instalments due in 2020 and related to the 131 Wagram and Biome buildings, for a total of €8,450 thousand.
The amounts reported under "Accruals" correspond to deferred revenue.

V - 7) Other expenses

(in thousands of euros)	2019	2018
Fees	(1,640)	(1,726)
Taxes other than on income	(2,840)	(2,521)
Other	(4,774)	(4,740)
Total	**(9,254)**	**(8,987)**

Fees paid to the Auditors in 2019 were as follows:

(in thousands of euros)	2019		2018	
	PricewaterhouseCoopers	Deloitte & Associés	PricewaterhouseCoopers	Deloitte & Associés
Statutory and contractual audits	323	241	318	236
Other services	33	19	52	44
Total	**356**	**260**	**370**	**280**

Fees for other services mainly concern the review of the translation of financial information and the review, at SFL's request, of environmental information.

VI - Financing Activities

VI - 1) Borrowings and other interest-bearing debt

Accounting policy

Loans and borrowings are initially recognised at fair value, corresponding to 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	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
			Short-term portion		Long-term portion	
Bonds						
€350 million bond issue, 2014-2021	1.875%	26 Nov. 2021	647	647	350,000	350,000
€350 million bond issue, 2015-2022	2.25%	16 Nov. 2022	992	993	350,000	350,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	4,459	4,459	500,000	500,000
Bank loans						
BNP Paribas 2016	Euribor + spread	24 May 2021	-	40	-	50,000
Natixis – Deka – Deutsche Hypotheken	1.571%	16 July 2022	2,619	2,625	197,080	199,160
Negotiable European commercial paper (NEU-CP)	Fixed rate (payable in advance)	Due within 1 year	386,500	262,500	-	-
Interest rate swaps						
CA-CIB 5-year swap	0.23%	28 Nov. 2022	60	52	1,605	989
Current account advances (liabilities)	Various		23	40	49,866	52,246
Impact of deferred recognition of debt arranging fees			(2,486)	(2,398)	(7,061)	(8,315)
Total			**392,814**	**268,958**	**1,441,490**	**1,494,080**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2019	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2018
Bonds	1,206,098	6,098	700,000	500,000	1,206,099
BNP Paribas 2016	-	-	-	-	50,040
Natixis/Deka/Deutsche Hypothekenbank	199,699	2,619	197,080	-	201,785
Negotiable European commercial paper (NEU-CP)	386,500	386,500	-	-	262,500
CA-CIB 5-year swap	1,665	60	1,605	-	1,041
Current account advances (liabilities)	49,889	23	49,866	-	52,286
Deferred debt arranging fees	(9,547)	(2,486)	(6,707)	(354)	(10,713)
Total	**1,834,304**	**392,814**	**941,844**	**499,646**	**1,763,038**

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

Debt covenants and acceleration clauses in force at 31 December 2019 concerned the following lines of credit: Société Générale, BECM, BNP Paribas, Cadif and Banque Postale. They can be broken down as follows:

Applicable ratios	Actual ratios at 31 Dec. 2019	Actual ratios at 31 Dec. 2018	Main acceleration clauses
Loan-to-value (LTV) <= 50%	22.7%	24.1%	Loan default Termination of operations
Interest cover >= 2x	6.6	5.1	Bankruptcy proceedings
Secured LTV <= 20%	2.6%	2.9%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€6.5bn	€6.0bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2019.

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

(in thousands of euros)	2019	2018
Interest on bank loans, bonds and commercial paper	(28,090)	(31,689)
Interest on external current account advances	(133)	(156)
Hedging losses	(585)	(561)
Other financial expenses	(2,769)	(4,322)
Finance costs and other financial expenses	**(31,577)**	**(36,728)**
Interest income	73	21
Financial expense transfers	4,881	4,255
Financial income	**4,954**	**4,276**
Finance costs and other financial income and expenses, net	**(26,623)**	**(32,452)**

Financial expense transfers correspond to finance costs capitalised at the rate of 1.44% during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

VI - 3) Financial instruments

Accounting policy

The Group uses derivative instruments such as interest rate swaps and caps to hedge the risk of changes in interest rates. These instruments are measured at fair value at each year-end.

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

For derivative instruments that do not qualify for hedge accounting, gains and losses from remeasurement at fair value are recognised through profit or loss.

Standard market valuation methods are used – corresponding to Level 2 inputs in the fair value hierarchy (see Note IV-5) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.

At 31 December 2019, derivatives held by the Group included:

- A 5-year swap set up with CA-CIB (variable rate swapped for a fixed rate of 0.23%) on a notional amount of €100,000 thousand. The swap came into effect on 28 November 2017 and is measured at fair value through profit or loss.

- A 5-year forward swap set up with CA-CIB (variable rate swapped for a fixed rate of -0.3475%) on a notional amount of €100,000 thousand. The swap will come into effect on 26 November 2021 and qualifies for hedge accounting as a cash flow hedge.

- A 5-year forward swap set up with CIC (variable rate swapped for a fixed rate of -0.4525%) on a notional amount of €100,000 thousand. The swap will come into effect on 26 November 2021 and qualifies for hedge accounting as a cash flow hedge.

- A 7-year collar set up with Société Générale (the option writer) on a notional amount of €100,000 thousand, with a 0% cap and a -0.7525% floor. No premium is payable on this collar which was set up on 4 September 2019. It is a cash flow hedge qualifying for hedge accounting.

- The Group previously held a 5-year 0.25% cap set up with Cadif (the option writer) on a notional amount of €100,000 thousand. The cap came into effect on 16 November 2017 and the position was unwound in September 2019. It was measured at fair value through profit or loss.

Hedging instruments at fair value

At 31 December 2019, the fair value of hedging instruments amounted to €4,092 thousand, breaking down as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2019	31 Dec. 2018
CA-CIB 0.23% swap	100,000	Nov. 2022	(1,605)	(989)
CA-CIB swap at -0.3475%	100,000	Nov. 2026	1,877	-
CIC swap at -0.4525%	100,000	Nov. 2026	2,416	-
Société Générale collar 0%/ -0.7525%	100,000	Sept. 2026	1,404	-
Cadif 0.25% cap	100,000	Sept. 2019	-	591
Total			**4,092**	**(398)**

Fair value adjustments to financial instruments

In 2019, fair value adjustments to hedging instruments not qualifying for hedge accounting represented a loss of €1,181 thousand that was recognised through profit or loss.

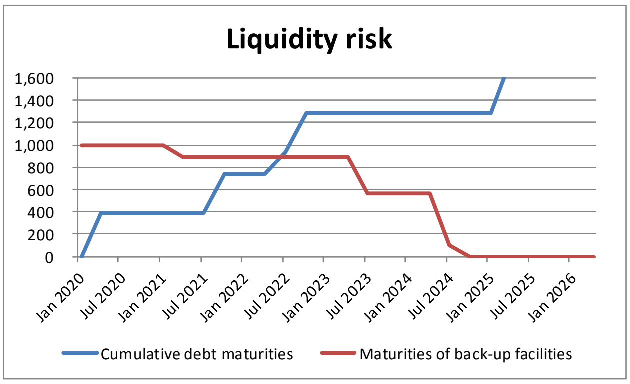
(in thousands of euros)	2019	2018
Bond retirement penalties	-	(17,156)
Interest rate hedges	(1,181)	(1,831)
Total	**(1,181)**	**(18,987)**

VI - 4) Financial risk management objectives and policy

The Group prudently manages its various financial risks.

1 - Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 31 December 2019, SFL had access to confirmed undrawn lines of credit representing €990 million compared with €920 million at 31 December 2018. 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 2022.



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

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

2 - Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. The contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasised that these same banks finance a portion of the Group's debt. Counterparty risks are minimised by keeping cash surpluses to a minimum. The rental deposits obtained from tenants offer protection against the risk of rent default. The Group considers that its exposure to counterparty risk on operations is not material.

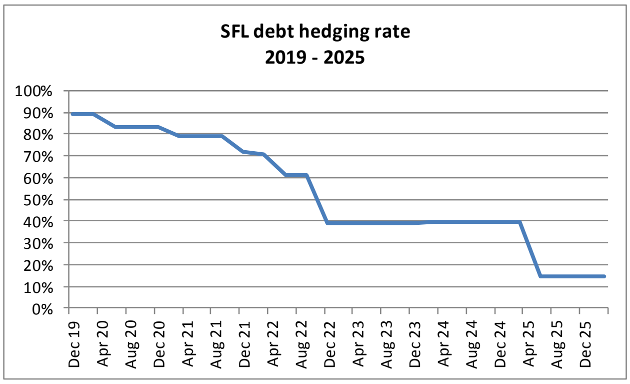
3 - Market risk

The Group did not have any exposure to currency risk at 31 December 2019. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with interest rate fluctuations.

a/ Objectives and strategy

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

At 31 December 2019, 89% of debt was hedged against interest rate risks.



b/ Risk assessment

The average spot cost of debt stood at 1.37% at 31 December 2019, versus 1.49% at 31 December 2018.

A 50-basis point rise in interest rates across the yield curve in 2019 would have had the effect of increasing the average cost of debt to 1.45%, driving up finance costs for the year by €1,429 thousand or 4.52%. A 50-basis point decline in interest rates across the yield curve would have had the effect of decreasing the average cost of debt to 1.30%, reducing finance costs for the year by €1,250 thousand or 3.96% .

Concerning hedging instruments, a 50-basis point increase in interest rates would have had the effect of increasing the fair value of hedging instruments by €8,266 thousand at 31 December 2019, while a 50-basis point decrease would have had the effect of reducing their fair value by €8,284 thousand.

c/ Interest rate risk

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk at 31 December 2019.

(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
Negotiable European commercial paper (NEU-CP)	386,500	-	-	-	-	-	**386,500**
Current account advances	-	49,866	-	-	-	-	**49,866**
Total floating rate debt	**386,500**	**49,866**	**-**	**-**	**-**	**-**	**436,366**

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

Fair value of bonds

The fair value of the Group's outstanding bond issues at 31 December 2019 was €1,254,543 thousand, as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2019	31 Dec. 2018
November 2014 bonds	350,000	Nov. 2021	360,810	362,607
November 2015 bonds	350,000	Nov. 2022	369,588	368,298
May 2018 bonds	500,000	May 2025	524,145	491,425
Total	**1,200,000**		**1,254,543**	**1,222,330**

VI - 5) Financial assets

Accounting policy

Non-current financial assets comprise deposits paid to third parties and derivative instruments.

They are initially recognised at fair value, generally corresponding to their purchase price plus transaction costs.
The accounting treatment of derivative instruments is presented in Note VI-3.

(in thousands of euros)	31 Dec. 2018	Increases	Impairment losses recognised during the year	Decreases	Impairment losses reversed during the year	31 Dec. 2019
Deposits	229	2,300	-	-	-	2,529
Interest rate hedges	591	5,697	-	(591)	-	5,697
Total	**820**	**7,997**	**-**	**(591)**	**-**	**8,225**

Deposits include a €2,300 thousand deposit paid by Parhaus.
Hedging instruments with a positive fair value recognised in assets totalled €5,697 thousand at 31 December 2019 (see Note VI-3). The instruments concerned are cash flow hedges qualifying for hedge accounting.

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.

(in thousands of euros)	31 Dec. 2019	31 Dec. 2018
Cash at bank and in hand	54,002	25,304
Total	**54,002**	**25,304**

VII - Equity and Earnings Per Share

VII - 1) Equity

Equity is analysed in the consolidated statement of changes in equity included in the financial statements.
The Company's share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

VII - 2) Treasury shares

Accounting policy

Acquisitions, disposals and cancellations of treasury shares are recorded as a deduction from equity.

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	31 Dec. 2019
Number of treasury shares	274,274	27,685	(79,772)	222,187
Average purchase/sale price, in euros	€66.69	€66.86	€57.98	€69.84
Total	**18,290**	**1,851**	**(4,625)**	**15,516**

VII - 3) Dividends

(in thousands of euros)	2019		2018	
	Paid	Per share	Paid	Per share
Prior year dividend paid in current year	122,711	€2.65	106,383	€2.30
Total	**122,711**	**€2.65**	**106,383**	**€2.30**

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 year, net of treasury shares held at the year-end.
Diluted 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 year, net of treasury shares held at the year-end, as adjusted for the dilutive effect of outstanding performance shares awarded to employees and corporate officers.

(in thousands of euros)	2019	2018
Profit used to calculate basic earnings per share	589,758	351,636
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares	(222,187)	(274,274)
Weighted average number of ordinary shares excluding treasury shares	**46,306,787**	**46,254,700**
Basic earnings per share	**€12.74**	**€7.60**
Profit used to calculate basic earnings per share	589,758	351,636
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares	(222,187)	(274,274)
Effect of dilutive instruments on the average number of shares	80,285	76,983
Diluted weighted average number of ordinary shares excluding treasury shares	**46,387,072**	**46,331 683**
Diluted earnings per share	**€12.71**	**€7.59**

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

VII - 5) Non-controlling interests in net profit

(in thousands of euros)	2019	2018
SCI Washington	**28,447**	**17,396**
Rental income	*7,905*	*7,862*
Fair value adjustments to investment property	*20,423*	*9,607*
Net financial expense	*(127)*	*(151)*
Other	*246*	*78*
Parholding subgroup	**29,515**	**15,614**
Rental income	*15,343*	*14,986*
Fair value adjustments to investment property	*27,179*	*10,357*
Net financial expense	*(1,745)*	*(1,766)*
Deferred tax	*(8,255)*	*(3,543)*
Current tax	*(3,265)*	*(3,600)*
Other	*256*	*(820)*
Total	**57,962**	**33,010**

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 income statement, the provision expense is presented net of the amount recognised for the reimbursement.

(in thousands of euros)	31 Dec. 2018	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	31 Dec. 2019
Provisions for employee benefits	1,220	820	(35)	*(35)*	57	(648)	1,414
Long-term provisions	**1,220**	**820**	**(35)**	***(35)***	**57**	**(648)**	**1,414**
Provisions for refurbishment work and tenant claims	475	-	-	-	-	-	475
Provisions for taxes other than on income	332	-	(332)	-	-	-	-
Provisions for employee benefits	542	-	(542)	-	-	648	648
Short-term provisions	**1,349**	**-**	**(874)**	**-**	**-**	**648**	**1,123**
Total	2,569	820	(909)	*(35)*	57	-	2,537

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,018 thousand. See Note IX-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €29 thousand at 31 December 2019 and €21 thousand at 31 December 2018.

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

(in thousands of euros)	2019	2018
Charges to provisions for impairment of current assets	(323)	(242)
Charges to provisions for operating contingencies and charges	(727)	(980)
Charges to provisions for other contingencies and charges	(93)	(120)
Total charges	**(1,143)**	**(1,342)**
Reversals of provisions for impairment of current assets	41	38
Reversals of provisions for other contingencies and charges	374	-
Total reversals	**415**	**38**
Total	(728)	(1,304)

IX - Remuneration and Other Employee Benefits

IX - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2019	2018
Wages and salaries	(6,790)	(6,779)
Payroll taxes	(3,655)	(3,560)
Other employee benefits	(2,331)	(1,952)
Statutory and discretionary profit-sharing	(906)	(497)
Total	(13,682)	(12,788)

The average number of administrative staff breaks down as follows:

	2019	2018
Officers	2	2
Managers	58	54
Supervisors	11	12
Administrative and technical staff	1	2
Total	**72**	**70**

The Group also had two building staff at 31 December 2019 and 2018.

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 year.

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)	2019	2018
Projected benefit obligation at 1 January	**902**	**872**
Benefits paid during the year	(35)	(54)
Service cost	83	83
Interest cost	11	9
Actuarial gains and losses	57	(8)
Projected benefit obligation at 31 December	**1,018**	**902**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 0.69% (31 December 2018: 1.57%) and a 2.00%-rate of future salary increases (31 December 2018: 2.20%). Actuarial gains and losses are recognised in equity.
A 25-bps reduction in the discount rate at 31 December 2019 would lead to a €19 thousand increase in the projected benefit obligation at that date.

The Group's employee benefit plans are as follows:

- Length-of-service awards payable to employees on retirement: benefits payable under this plan are specified in a corporate agreement signed with employee representatives.
- Post-employment medical care: this plan concerns a closed group of retired SFL employees. Benefits consist of the payment by SFL of two-thirds of the contributions due to the insurance company responsible for reimbursing medical costs.

- Jubilees: the agreements in force within the Group provide for the payment of one month's salary to administrative staff who complete 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 income statement.

Measurement method

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

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

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

Details of performance share plans at 31 December 2019

	Plan no. 4	Plan no. 5	Plan no. 5
Date of shareholder authorisation	13 Nov. 2015	20 April 2018	20 April 2018
Grant date (date of Board meeting)	03 March 2017	20 April 2018	15 Feb. 2019
Initial target number of shares	33,376	33,592	32,948
Initial expected vesting rate	70.83%	100.00%	100.00%
Initial number of shares expected to vest	23,640	33,592	32,948
Fair value per share	€42.61	€48.64	€54.00
Rights cancelled/forfeited	(2,380)	(1,640)	(212)
Expected vesting rate at end of year	150.00%	100.00%	100.00%
Number of shares expected to vest at end of year	**46,494**	**31,952**	**32,736**

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 31 December 2019, the rates applied were 150% for the 2017 plan (probable ranking: no. 1) and 100% for the 2018 and 2019 plans (probable ranking: no. 3).

During first-half 2019, a total of 46,302 performance shares vested under 2016 Plan no. 4.

The cost of performance share plans recognised in 2019 amounted to €2,282 thousand (excluding specific employer contributions).

IX - 4) Related party information

The remuneration paid to the members of the Board of Directors and corporate officers breaks down as follows:

(in thousands of euros)	2019	2018
Short-term benefits, excluding payroll taxes[1]	2,928	3,215
Payroll taxes on short-term benefits	1,661	1,272
Share-based payments[2]	1,518	1,311
Directors' fees	591	713
Total	**6,698**	**6,511**

[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 income statement for stock options and employee rights issues.*

At 31 December 2019, related-party transactions comprised current account advances representing the share of the minority shareholder, Prédica, in SCI Washington (see Note VI-1).

X - Income Taxes

X - 1) Current and deferred tax liabilities

Accounting policy

Non-current liabilities with fixed maturities are discounted.

Measurement method

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

Due	2021	Total
Amount payable	5,142	5,142

This caption corresponds mainly to the long-term portion of the exit tax due as a result of the election for the Biome building to be included in assets taxed under the SIIC regime in December 2017. The €21 million tax liability is payable in four annual instalments between 2018 and 2021 and has been discounted.

The outstanding exit tax payable on 15 May 2020 in respect of the 131 Wagram property has been recorded within accrued taxes under other current liabilities.

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 2019 amounted to €7,268 thousand (2018: €7,371 thousand) and mainly concerned the Parholding tax group.

X - 3) Deferred taxes

Accounting policy

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

The election for taxation as 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 companies in the Parholding sub-group that are not eligible for taxation as SIICs.

Deferred tax assets and liabilities are calculated for all temporary differences using the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, i.e., 31% and 25% following enactment of France's 2018 Finance Act providing for a gradual reduction in the corporate income tax rate from 33.33% to 25%. If the criteria for applying either of the above rates are not fulfilled, the tax rate at the year-end is used, i.e., 31%.

Deferred tax calculations do not take into account the increase in the corporate income tax rate from 31% to 33.33% for 2019, decided in July 2019, because the increase only applies to companies with revenue of at least €250 million.

(in thousands of euros)	Statement of Financial Position 31 Dec. 2018	Reclassifications	Equity	Income statement	Statement of Financial Position 31 Dec. 2019
Fair value adjustments to investment property	(177,259)	-	-	(14,038)	(191,297)
Adjustment of depreciation	(24,958)	-	-	(2,293)	(27,251)
Adjustment of property rentals	(1,419)	-	-	138	(1,281)
Capitalisation of interest expense and transaction costs	(521)	-	-	-	(521)
Other	(873)	-	-	(348)	(1,221)
Net	**(205,030)**	**-**	**-**	**(16,541)**	**(221,571)**
Of which deferred tax assets	32	-	-	(32)	-
Of which deferred tax liabilities	(205,062)	-	-	(16,509)	(221,571)

XI - Off-Balance Sheet Commitments

XI - 1) Operations-related commitments

Guarantees

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Property guarantees	110	110	-	-
Commitments received				
Guarantees received from tenants (including first demand guarantees)	57,893	2,783	21,644	33,466
Other first demand guarantees	400	-	400	-
Guarantees received from suppliers	2,305	220	2,085	-
Total commitments received	**60,598**	**3,003**	**24,129**	**33,466**

Contractual redevelopment and renovation obligations

At 31 December 2019, the Group's contractual commitments relating to investment property undergoing renovation totalled €67,256 thousand (€23,288 thousand at 31 December 2018), of which €48,254 thousand concerned the 83 Marceau and 106 Haussmann properties.

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

Standard mortgages

(in thousands of euros)

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

Undrawn confirmed lines of credit

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
BECM	150,000	-	150,000	-
BNP Paribas 2016	100,000	-	100,000	-
BNP Paribas 2019	390,000	-	390,000	-
Banque Postale	75,000	-	75,000	-
Société Générale	100,000	-	100,000	-
Cadif	175,000	-	175,000	-
Total	**990,000**	**-**	**990,000**	**-**

XI - 3) Employee-related commitments

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

At 31 December 2019, total commitments for the payment of compensation amounted to €3,078 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)	2019	2018
Acquisitions of and improvements to investment property		
Work	(63,754)	(38,106)
Total	**(63,754)**	**(38,106)**
Proceeds from disposals of investment property, intangible assets and property and equipment		
Sale price	1	264
Transaction costs	-	(9)
Total	**1**	**255**
Cash and cash equivalents at end of year		
Cash at bank and in hand	54,002	25,304
Bank overdrafts	-	-
Total	**54,002**	**25,304**

Non-cash changes in bonds and bank borrowings amounted to €2,694 thousand in 2019 and corresponded to the deferred recognition of debt arranging fees.

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

XIII - Scope of Consolidation

Consolidated companies	Registration no.	Percentage (%)	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	444 425 250	100	100
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SCI Washington	432 513 299	66	66
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100

Shareholders' pacts give the Group exclusive control over four companies that are 50%-owned.
Accordingly, all subsidiaries are controlled exclusively and fully consolidated.
SAS Société Immobilière Victoria, which was included in the consolidation scope at 31 December 2018, was merged with Société Foncière Lyonnaise on 16 May 2019, with retroactive effect from 1 January 2019.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 81.7% of the capital at 31 December 2019. The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.