SOCIÉTÉ FONCIÈRE LYONNAISE

CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2021

FINANCIAL STATEMENTS

The consolidated financial statements were approved for publication by the Board of Directors on 18 February 2022.

A – Consolidated Statement of Financial Position

(in thousands of euros) ASSETS	Notes Section E	31 Dec. 2021	31 Dec. 2020
Intangible assets	V -1	2,237	1,244
Property and equipment	V-2	19,625	20,804
Investment property	V -4	7,496,094	7,081,176
Non-current financial assets	VII-5	4,346	514
Other non-current assets	VI-4	44,712	26,832
Total non-current assets		**7,567,015**	**7,130,570**
Investment property held for sale	V-5	-	259,459
Trade and other receivables	VI-3	46,673	83,431
Other current assets	VI -4	2,762	2,050
Cash and cash equivalents	VII -6	114,881	15,283
Total current assets		**164,316**	**360,223**
Total Assets		7,731,331	7,490,793

(in thousands of euros) EQUITY AND LIABILITIES	Notes Section E	31 Dec. 2021	31 Dec. 2020
Share capital	VIII -1	85,729	93,058
Reserves		4,009,052	4,266,590
Profit for the period		292,041	286,879
Equity attributable to owners of the parent		**4,386,822**	**4,646,526**
Non-controlling interests		1,097,177	550,442
Total non-controlling interests		**1,097,177**	**550,442**
Total equity	**VIII -1**	**5,483,999**	**5,196,968**
Long-term borrowings and derivative instruments	VII -1	1,488,742	1,476,560
Long-term provisions	IX -1	1,844	1,608
Deferred tax liabilities	XI -2	210,666	217,266
Other non-current liabilities	VI -6	28,748	27,691
Total non-current liabilities		**1,730,000**	**1,723,126**
Trade and other payables	VI-5	45,052	43,708
Short-term borrowings and other interest-bearing debt	VII -1	413,256	480,937
Short-term provisions	IX -1	960	1,007
Other current liabilities	VI -6	58,064	45,047
Total current liabilities		**517,332**	**570,699**
Total equity and liabilities		7,731,331	7,490,793

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2021	2020
Rental income		**174,634**	**182,424**
Gross property expenses		(38,530)	(40,291)
Property expenses recovered from tenants		29,746	31,990
Property expenses, net of recoveries		(8,784)	(8,302)
Net property rentals	**VI -1**	**165,850**	**174,122**
Other income	VI -2	4,086	4,336
Depreciation, amortisation and impairment	V -3	(1,211)	(915)
Provision expense, net	IX -2	(1,766)	(1,700)
Employee benefits expense	X -1	(22,739)	(14,582)
Other expenses	VI -7	(9,978)	(8,653)
Profit on disposal of investment property	V -6	108	-
Fair value adjustments to investment property	V -4	255,177	176,526
Operating profit		**389,528**	**329,134**
Finance costs and other financial expenses	VII -2	(27,968)	(29,878)
Financial income	VII -2	17	17
Fair value adjustments to financial instruments	VII -3	-	(10)
Discounting adjustments to receivables and payables		(80)	(150)
Other financial income and expenses	VII -3	(2,200)	(4,309)
Profit before income tax		**359,296**	**294,804**
Income tax benefit/(expense)	XI -1-2	2,750	1,548
Profit for the period		362,046	296,351
Attributable to owners of the parent		**292,041**	**286,879**
Attributable to non-controlling interests	VIII -6	**70,005**	9,472
Earnings per share	VIII -4	€6.51	€6.19
Diluted earnings per share	VIII-4	€6.49	€6.18
Other comprehensive income			
Actuarial gains and losses	IX -1	(36)	(115)
Items that will not be reclassified to profit or loss		***(36)***	(115)
Valuation gains and losses on financial instruments (cash flow hedges)	VII -3	6,751	(5,867)
Items that may be reclassified subsequently to profit or loss		***6,751***	(5,867)
Other comprehensive income/(expense)		**6,715**	**(5,983)**
Comprehensive income		**368,761**	**290,369**
Attributable to owners of the parent		**298,756**	**280,896**
Attributable to non-controlling interests	VIII -6	70,005	9,472

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account[1]	Revaluation reserve	Treasury shares	Cash flow hedging reserve	Other reserves [1]	Profit for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	**Total equity**
Equity at 31 December 2019	**93,058**	**560,380**	**22,621**	**(17,936)**	**5,697**	**3,231,630**	**589,758**	**4,485,205**	**551,770**	**5,036,975**
Movements for the period										
Profit for the period	-	-	-	-	-	-	286,879	286,879	9,472	**296,351**
Other comprehensive income/(expense), net of tax	-	-	-	-	(5,867)	(115)	-	(5,983)	-	**(5,983)**
Comprehensive income	**-**	**-**	**-**	**-**	**(5,867)**	**(115)**	**286,879**	**280,896**	**9,472**	**290,369**
Appropriation of profit	-	-	-	-	-	589,758	(589,758)	-	-	**-**
Treasury share transactions	-	-	-	2,635	-	-	-	2,635	-	**2,635**
Gains and losses on sales of treasury shares	-	-	-	(2,652)	-	-	-	(2,652)	-	**(2,652)**
Share-based payments	-	-	-	-	-	3,270	-	3,270	-	**3,270**
Dividends paid to owners of the parent	-	-	-	-	-	(122,828)	-	(122,828)	(10,801)	**(133,629)**
Equity at 31 December 2020	**93,058**	**560,380**	**22,621**	**(17,953)**	**(170)**	**3,701,714**	**286,879**	**4,646,526**	**550,442**	**5,196,968**
Movements for the period										
Profit for the period	-	-	-	-	-	-	292,041	292,041	70,005	362,046
Other comprehensive income/(expense), net of tax	-	-	-	-	6,751	(36)	-	6,715	-	6,715
Comprehensive income	**-**	**-**	**-**	**-**	**6,751**	**(36)**	**292,041**	**298,756**	**70,005**	**368,761**
Appropriation of profit	-	-	-	-	-	286,879	(286,879)	-	-	-
Share cancellations	(7,329)	(346,921)	-	-	-	(1,097)	-	(355,347)	-	(355,347)
Treasury share transactions	-	-	-	3,841	-	-	-	3,841	-	3,841
Gains and losses on sales of treasury shares	-	-	-	(3,998)	-	-	-	(3,998)	-	(3,998)
Share-based payments	-	-	-	-	-	3,869	-	3,869	-	3,869
Changes in ownership interests without loss/acquisition of control	-	-	-	-	-	(109,350)	-	(109,350)	486,674	377,324
Dividends paid to owners of the parent	-	(53,456)	-	-	-	(44,020)	-	(97,476)	(9,944)	(107,420)
Equity at 31 December 2021	**85,729**	**160,003**	**22,621**	**(18,110)**	**6,581**	**3,837,960**	**292,041**	**4,386,822**	**1,097,177**	**5,483,999**

[1] *see Note VIII - 1*

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2021	2020
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		292,041	286,879
Fair value adjustments to investment property	V -4	(255,177)	(176,526)
Depreciation and amortisation expense (excluding impairment)	V -3	1,211	915
Net additions to provisions	IX -1	154	817
Net (gains)/losses from disposals of investment property	V -6	(108)	-
Discounting adjustments to debt and fair value adjustments to financial instruments		80	160
Other financial income and expenses	VII -3	2,200	4,309
Deferral of rent-free periods and key money	VI -1	5,300	(1,171)
Employee benefits	X-3	3,869	3,270
Non-controlling interests in profit for the period	VIII -6	70,005	9,472
Cash flow after finance costs and income tax		**119,575**	**128,126**
Finance costs	VII -2	27,951	29,861
Income tax expense/(benefit)	XI -1-2	(2,750)	(1,548)
Cash flow before finance costs and income tax		**144,776**	**156,439**
Change in working capital		13	(7,554)
Interest paid		(28,405)	(28,076)
Interest received		17	17
Income tax paid		(6,030)	(13,876)
Net cash provided by operating activities		**110,371**	**106,950**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XIII -1	(129,378)	(132,182)
Acquisitions of intangible assets and property and equipment		(1,025)	(2,106)
Amounts due on asset acquisitions		2,049	16,617
Proceeds from disposals of investment property, intangible assets and property and equipment	V -6	264,000	-
Investment property disposal costs	V -6	(1,279)	-
Other cash inflows and outflows		5	2,301
Net cash provided by (used by) investing activities		**134,372**	**(115,370)**
Cash flows from financing activities			
Capital increases/(reductions)	VIII -1	(1,097)	-
Purchases and sales of treasury shares, net		(157)	(17)
Cash inflows/(outflows) from changes in ownership interests without acquisition/loss of control	VIII -5	(38,205)	-
Dividends paid to owners of the parent	VIII -3	(97,476)	(122,828)
Dividends paid to non-controlling interests		-	(8,498)
Proceeds from borrowings	XIII -2	1,338,463	1,745,071
Repayments of borrowings	XIII -2	(1,344,133)	(1,646,764)
Other movements in financing items		1,822	(1,625)
Net cash provided by (used by) financing activities		**(140,783)**	**(34,661)**
Net change in cash and cash equivalents		**103,960**	**(43,081)**
Cash and cash equivalents at beginning of period		10,921	54,002
Cash and cash equivalents at end of period	XIII -1	114,881	10,921
Net change in cash and cash equivalents		**103,960**	**(43,081)**

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 2021:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform – Phase 2. These amendments, which are in addition to those published in 2019, address the effects of the reform on a company's financial statements that arise when an interest rate benchmark is replaced with an alternative benchmark rate. They are designed to assist companies in providing useful information concerning the reform's impact on their financial statements. None of the Group's confirmed credit lines were indexed on the old interest rate benchmarks (Libor and Eonia) and therefore no interest rates were replaced at 31 December 2021.

- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4. The Group is not concerned by these amendments because IFRS 4 only applies to insurance companies.

- Amendments to IFRS 16 – Leases – Covid-19-Related Rent Concessions. IFRS 16 requires lessees to consider individual lease contracts to determine whether certain rent concessions are lease modifications. If this is the case, the lessee must remeasure the lease liability by applying a revised discount rate. The amendment to IFRS 16 exempts lessees from having to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications by recognising their impact in profit or loss for the year. This practical expedient only applies to lessees' rent concessions occurring as a direct consequence of the Covid-19 pandemic, and only if certain conditions are met.

The amendment does not grant any relief to lessors from the obligation of analysing rent concessions to determine whether they are lease modifications.

Based on IAS 19 – Employee Benefits, the IFRS Interpretations Committee (IFRIC) decided that benefits for a particular defined benefit plan should be attributed to the periods of service in which the benefit obligation arises. The impact of this decision on the consolidated financial statements is not material.

The following amendments published by the IASB had not yet been adopted by the European Union at 31 December 2021:

- Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current. These amendments clarify the criteria for classifying liabilities as current or non-current, which could affect a company's loan covenants. To give companies time to prepare for the amendments, the IASB has set the effective date for these amendment at January 2023.

- Amendments to IAS 1 – Disclosure of Accounting Policies. The purpose of these amendments is to help companies improve accounting policy disclosures so that they provide more useful information to users of the financial statements. They require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

- Amendments to IAS 8 – Definition of Accounting Estimates Changes in accounting estimates were previously defined as follows: "A change in accounting estimate is an adjustment to the carrying amount of an asset or liability, or to the amount of the periodic consumption of an asset, resulting from an assessment of the current status of the asset or liability and the expected future benefits and obligations associated with it. Changes in accounting estimates result from new information or new developments and, therefore, are not corrections of errors." This definition has been deleted and replaced by the following definition of accounting estimates: "Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty." The IASB has stipulated that the amendments to IAS 8 are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

- Amendments to IFRS 17 – Insurance Contracts. The purpose of these amendments is to help companies implement the standard. The Group is not concerned by these amendments because IFRS 17 only applies to insurance companies.

- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction Under certain circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023, for qualifying transactions occurring on or after the opening date of the first comparative period presented. Early application is permitted.

The Group's financial statements at 31 December 2021 do not include any assets and liabilities recognised in a single transaction and therefore, the amendment was not early-adopted.

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 period 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 V-4).

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

II - Significant Events of the Year

II - 1) Redevelopment and renovation programmes

Properties undergoing development at 31 December 2021 represented roughly 20% of the total portfolio. The two main projects concern:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in late 2023 under a turnkey lease on over 20,000 sq.m. During 2021, site clearance and asbestos removal work continued and general contracting work began.

- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued during the period, with the building scheduled for delivery in 2022.

Full renovation of the building at 83 avenue Marceau (approximately 9,000 sq.m.) was completed in 2021 and the building was delivered in the second half. This property is now fully let.

Disposal of the 112 Wagram and 9 Percier properties was completed in early 2021. The disposal processes were launched in 2020 under the Group's asset rotation policy. These two properties were sold in January and February 2021 at a net sale price of €120.5 million and €143.5 million, respectively. These prices were taken into account in their fair value measurement as at 31 December 2020 and reflected an average increase in value of around 17% over the year. This outstanding performance confirms the quality of SFL's assets and strategic positioning.

No properties were acquired in 2021.

In 2021, the Group signed leases on approximately 57,000 sq.m of mainly office space, primarily in the Washington-Plaza, #cloud.paris, Cézanne Saint-Honoré and Edouard VII properties.

II - 2) Financing

During the year, the Group carried out the following transactions:

- The outstanding 1.875% 2014 bonds, which matured in November 2021, were redeemed for €250 million.

- The Parholding sub-group entities' mortgage loans due in July 2022 were repaid in advance for a total of €196 million.

- The Group raised €500 million through the issue of 6.5-year 0.50% bonds due 21 April 2028.

- A new €100 million five-year revolving line of credit was obtained from Banca Intesa Sanpaolo (Paris branch).

These transactions extended the average maturity of the Group's debt as part of its proactive balance sheet management strategy.

The funds will be used for general corporate purposes.

II - 3) Impacts of the Covid-19 health crisis

During the year, SFL continued to apply the measures deployed in 2020 to limit the pandemic's effects on its business and results.

The rent collection rate was very satisfactory throughout the year (at between 96% and 98% in each of the quarters). Past-due rents were reviewed on a case-by-case basis to determine whether a provision was needed. Very few new support measures were granted to tenants during the year.

The rental market had slowed since the onset of the Covid-19 crisis, but it picked up in the second half of 2021 and leases were signed by SFL on several significant units.

The Covid-19 crisis had little impact on appraisal values at 31 December 2021. In particular, SFL's office properties demonstrated a certain resilience during the crisis. However, valuation assumptions for retail units had to be adjusted at the end of the first half to take into account investor aversion to this asset class and uncertainty about the level of turnover-based rents.

II - 4) Transaction involving SFL shares and changes in the partnership with Prédica

On 3 June 2021, Colonial – SFL's majority shareholder – announced a proposed two-step transaction:

- A simplified cash and paper offer for the SFL shares not already held by Colonial and Prédica. Details of the offer were submitted to France's securities regulator, Autorité des Marchés Financiers (AMF), on 16 June 2021 and the offer was given the go-ahead by the AMF on 20 July 2021. At the end of the offer period, which ran from 22 July 2021 to 25 August 2021 inclusive, Colonial held 98.3% of the share capital of SFL.

- A change in the existing partnership between SFL and Prédica to consolidate their long-term relationship. This second step involved the buyback and cancellation by SFL of some of the SFL shares held by Prédica (representing 7.86% of the capital), and an asset swap whereby SFL acquired Prédica's interest in the Washington Plaza, 106 Haussmann, Galerie des Champs-Elysées and 90 Champs-Elysées properties and Prédica acquired SFL's non-controlling interests (49%) in the #cloud.paris, Cézanne Saint-Honoré, 92 Champs-Elysées and 103 Grenelle properties. Prédica then swapped its remaining 5% interest in SFL's capital for Colonial shares. The transactions were completed on 4 August 2021. Their impact on the consolidated financial statements is presented in Notes VIII-1 and VIII-5.

II - 5) Subsequent events

None.

III - Effects of Climate Change

Climate change is bringing about profound changes in the economy, which is why increasing attention needs to be paid to its effects on companies' financial and non-financial performance. To address the major challenges associated with these changes, very ambitious objectives have been set in the European Green Deal, the Glasgow Climate Pact (COP26) and the Paris Agreement (COP21). Meeting these objectives will involve radical transformations.

The purpose of this note is to present the impact of these changes on the Group's business and performance, as well as the main impacts on the consolidated financial statements.

III - 1) Effects of climate change on the Group's financial position

The construction industry accounts for nearly one quarter of all greenhouse gas emissions in France, For this reason, the Group has developed a strategy to monitor the risks and impacts of climate change, supported by measures to address them.

The main effects of changing weather conditions on the consolidated financial statements have been identified. These effect cannot be measured with perfect accuracy, as it is difficult to separate them from other factors that influence developments over the reporting period. However, the main effects on the Group's financial information can be summarised as follows:

- The impact on appraisal values should be positive. The Group's buildings are recognised as being of a high environmental quality (as evidenced by the certifications they have received) and the appraisers have therefore included an 15% average premium in their estimates of market rents and capitalisation rates.

- Capital expenditure and building operating costs have increased due to the cost of work needed to anticipate changes in industry regulations and strengthen customer loyalty. For example, the installation of LED lighting, more efficient heating systems, and digital technical systems to track energy use more accurately.

- Various other expenditures will be necessary, such as environmental certification costs (mainly Building Research Establishment Environmental Assessment Method (BREEAM), Global Real Estate Sustainability Benchmark (GRESB), and European Public Real Estate Association (EPRA)), ESG data publication costs (data collection, preparation of reports, other internal and external resources), and the cost of bonuses paid to certain employees and/or members of the Management Committee for meeting ESG objectives.

III - 2) Other potential effects on the consolidated financial statements

Other potential climate-related effects, none of which had an impact on the 2021 consolidated financial statements, include:

- Risks related to financial instruments (IFRS 7): at the reporting date, the Group did not have any financing instruments indexed to CSR performance indicators, for which the interest rate would vary based on ESG criteria. Consequently, taking into account the effects of climate change had no impact on SFL's financing structure. Since the beginning of 2022, the Group has started the process of converting its bond debt into green bonds.

- Provisions for environmental levies (IAS 37): the Group's investment choices have ensured that it is in compliance with climate-related regulations. As a result, the Group has not received any penalties for non-compliance. A regulatory watch system has been set up to anticipate changes in climate-related legal requirements and proactively initiate any necessary compliance measures. For this reason, no provision has been set aside at 31 December 2021 for levies or penalties for non-compliance with emerging regulatory standards.

- Impairment of assets (IAS 36) or adjustment of the useful lives and residual values of plant, property and equipment (IAS 16): the Group’s portfolio consists mainly of investment properties measured using the Fair Market Value option; consequently, the application of IAS 36 and IAS 16 has no impact on the consolidated financial statements.

IV- 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	2021
Rental income	**142,023**	**30,573**	**2,037**	**-**	**174,634**
Gross property expenses	(30,136)	(6,477)	(1,917)	-	(38,530)
Property expenses recovered from tenants	24,033	5,199	514	-	29,746
Property expenses, net of recoveries	(6,103)	(1,278)	(1,403)	-	(8,784)
Net property rentals	**135,920**	**29,296**	**634**	**-**	**165,850**
Other income	2,922	387	93	684	4,086
Depreciation, amortisation and impairment	-	-	-	(1,211)	(1,211)
Provision expense, net	(661)	76	-	(1,181)	(1,766)
Employee benefits expense	-	-	-	(22,739)	(22,739)
Other expenses	-	-	-	(9,978)	(9,978)
Profit on disposal of investment property	108	-	-	-	108
Fair value adjustments to investment property	242,950	13,188	(962)	-	255,177
Operating profit/(loss)	**381,239**	**42,947**	**(235)**	**(34,424)**	**389,528**
Finance costs and other financial expenses	-	-	-	(27,968)	(27,968)
Financial income	-	-	-	17	17
Fair value adjustments to financial instruments	-	-	-	-	-
Discounting adjustments to receivables and payables	-	-	-	(80)	(80)
Other financial income and expenses	-	-	-	(2,200)	(2,200)
Profit/(loss) before income tax	**381,239**	**42,947**	**(235)**	**(64,656)**	**359,296**
Income tax benefit/(expense)		-	-	2,750	2,750
Profit/(loss) for the period	**381,239**	**42,947**	**(235)**	**(61,906)**	**362,046**
Attributable to owners of the parent	**311,345**	**40,300**	**(235)**	**(59,369)**	**292,041**
Attributable to non-controlling interests	**69,895**	**2,647**	**-**	**(2,537)**	**70,005**
Other comprehensive income					
Actuarial gains and losses	-	-	-	(36)	(36)
Items that will not be reclassified to profit or loss	-	-	-	***(36)***	***(36)***
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	6,751	6,751
Items that may be reclassified subsequently to profit or loss	-	-	-	***6,751***	***6,751***
Other comprehensive income/(expense)	**-**	**-**	**-**	**6,715**	**6,715**
Comprehensive income/(expense)	**381,239**	**42,947**	**(235)**	**(55,191)**	**(368,761)**
Attributable to owners of the parent	**311,345**	**40,300**	**(235)**	**(52,654)**	**298,756**
Attributable to non-controlling interests	**69,895**	**2,647**	**-**	**(2,537)**	**70,005**

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	31 Decembe r 2021
Segment assets	6,198,882	1,237,614	116,329	140,969	7,693,794
Unallocated assets	-	-	-	37,537	37,537
Total assets	**6,198,882**	**1,237,614**	**116,329**	**178,505**	**7,731,331**

The segment analysis for 2020 is as follows:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	2020
Rental income	151,871	28,197	2,355	-	**182,424**
Gross property expenses	(31,762)	(6,954)	(1,575)	-	(40,291)
Property expenses recovered from tenants	26,555	4,847	588	-	31,990
Property expenses, net of recoveries	(5,207)	(2,107)	(987)	-	(8,302)
Net property rentals	146,664	26,090	1,368	-	**174,122**
Other income	3,283	499	217	337	4,336
Depreciation, amortisation and impairment	-	-	-	(915)	(915)
Provision expense, net	(654)	(230)	-	(817)	(1,700)
Employee benefits expense	-	-	-	(14,582)	(14,582)
Other expenses	-	-	-	(8,653)	(8,653)
Profit/(loss) on disposal of other assets	-	-	-	-	-
Fair value adjustments to investment property	142,379	36,195	(2,048)	-	176,526
Operating profit/(loss)	291,672	62,555	(462)	(24,629)	**329,134**
Finance costs and other financial expenses	-	-	-	(29,878)	(29,878)
Financial income	-	-	-	17	17
Fair value adjustments to financial instruments	-	-	-	(10)	(10)
Discounting adjustments to receivables and payables	-	-	-	(150)	(150)
Other financial income and expenses	-	-	-	(4,309)	(4,309)
Profit/(loss) before income tax	**291,672**	**62,555**	**(462)**	**(58,960)**	**294,804**
Income tax benefit/(expense)	(2,856)	-	-	4,403	1,548
Profit/(loss) for the period	**288,816**	**62,555**	**(462)**	**(54,557)**	**296,351**
Attributable to owners of the parent	**277,793**	**62,555**	**(462)**	**(53,006)**	**286,879**
Attributable to non-controlling interests	11,023	-	-	(1,551)	9,472
Other comprehensive income					
Actuarial gains and losses	-	-	-	(115)	(115)
Items that will not be reclassified to profit or loss	-	-	-	*(115)*	*(115)*
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	(5,867)	(5,867)
Items that may be reclassified subsequently to profit or loss	-	-	-	*(5,867)*	*(5,867)*
Other comprehensive income/(expense)	**-**	**-**	**-**	**(5,983)**	**(5,983)**
Comprehensive income	**288,816**	**62,555**	**(462)**	**(60,539)**	**290,369**
Attributable to owners of the parent	**277,793**	**62,555**	**(462)**	**(58,988)**	**280,896**
Attributable to non-controlling interests	11,023	-	-	(1,551)	9,472

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	31 December 2020
Segment assets	6,126,040	1,189,464	115,310	39,888	7,470,712
Unallocated assets	-	-	-	20,081	20,081
Total assets	**6,126,040**	**1,189,464**	**115,310**	**59,979**	**7,490,793**

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.

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

V - 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 period in which they are capitalised.

(in thousands of euros)	31 Dec. 2020	Increases	Decreases	Reclassifications	31 Dec. 2021
Cost					
Computer software	7,426	-	-	1,671	9,097
Other	1,373	644	-	(827)	1,189
Amortisation and impairment					
Computer software	(6,722)	(495)	-	-	(7,218)
Other	(832)	-	-	-	(832)
Carrying amount	**1,244**	**149**	**-**	**843**	**2,237**

V - 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. 2020	Increases	Decreases	Reclassifications	31 Dec. 2021
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other property and equipment	7,515	381	(216)	(843)	6,836
Depreciation and impairment					
Owner-occupied property	(3,793)	(206)	-	-	(4,000)
Other property and equipment	(4,156)	(510)	216	-	(4,449)
Carrying amount	**20,804**	**(335)**	**-**	**(843)**	**19,625**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €51,040 thousand at 31 December 2021 and €51,359 thousand at 31 December 2020.

V - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2021	2020
Amortisation and impairment of intangible assets	(495)	(140)
Depreciation and impairment of property and equipment	(716)	(775)
Total	**(1,211)**	**(915)**

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.

V - 4) 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.

Investment property is 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 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 that are included in the fair value calculation, to avoid these effects being taken into account twice.

Investment property is reclassified as held for sale when their sale is considered as highly probable. 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 2021 by Cushman & Wakefield and CBRE.
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: 59%
- CBRE: 41%

The firms ensure that their internal teams are rotated as required. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them. The 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 valuers other than for the half-yearly and annual appraisals, include marketing fees (tenant searches) fees related to property disposals and fees for valuations performed in connection with refinancing projects. In 2021, they amounted to €1,115 thousand.

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 date, 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, 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 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, the period needed to complete the renovation work 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. Asset valuations include the estimated cost of future work (based on expenditure budgets for properties in the process of being redeveloped), including any lessor contributions to the cost of work carried out by the tenant. Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.

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

The appraisal values are quoted both including transfer costs (calculated on the basis of a flat 7.5% rate for all properties subject to registration duty and 1.8% for properties subject to VAT) and excluding transfer costs and acquisition expenses.

Properties in the process of being redeveloped are measured at fair value. Fair value estimates for these properties are determined using the discounted cash flows method and are considered to be reliable.

Fair value measurement of investment property

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.

(in thousands of euros)	31 Dec. 2020	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasure-ment at fair value	Reclassifica-tions	31 Dec. 2021
Investment property	7,081,176	159,741	353,757	-	(98,580)	-	7,496,094
Total	**7,081,176**	**159,741**	**353,757**	**-**	**(98,580)**	**-**	**7,496,094**

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

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Appraisal value of investment property, excluding transfer costs	7,606,153	7,457,515
Deduction of owner-occupied property (see Note V-2)	(51,040)	(51,359)
Adjustments to reflect specific lease terms and other adjustments	(59,019)	(65,521)
Reclassification of investment property held for sale	-	(259,459)
Fair value of investment property in the statement of financial position	**7,496,094**	**7,081,176**

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

Geographic area	Value excluding transfer costs 31 December 2021 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	6,252	Market rents	€630 - €940	€797
		Exit yield	2.60 - 3.11%	2.95%
		Discount rate	3.55 - 4.10%	3.76%
Other Paris	1,238	Market rent	€548 - €760	€684
		Exit yield	2.75 - 3.25%	2.99%
		Discount rate	3.90 - 5.50%	4.71%
Western Crescent	116	Market rent	€310 - €535	€479
		Exit yield	3.41 - 5.00%	3.80%
		Discount rate	4.35 - 6.10%	4.78%
Total	**7,606**			

[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 €626,955 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 €741,763 thousand.

Investment property valuation inputs used at 31 December 2020 were as follows for each asset class:

Geographic area	Value excluding transfer costs 31 December 2020 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris Central Business District	6,176	Market rents	€630 - €940	€758
		Exit yield	2.75% - 3.16%	2.93%
		Discount rate	3.70% - 4.20%	4.07%
Other Paris	1,167	Market rents	€548 - €744	€619
		Exit yield	3.10% - 3.50%	3.27%
		Discount rate	4.00% - 5.40%	4.48%
Western Crescent	115	Market rents	€320 - €547	€487
		Exit yield	3.55% - 5.00%	3.93%
		Discount rate	4.40% - 6.10%	4.85%
Total	**7,458**			

[1] *Offices.*

V - 5) Investment property held for sale

Accounting policy

Investment property is classified as held for sale if the 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 for sales of such assets and the sale must be highly probable.

During 2021, the Group disposed of two properties, both of which had been reclassified as held for sale at 31 December 2020 at their fair value, corresponding to the agreed sale price less the costs of disposal. The properties concerned were:

- 112 Wagram: sale completed on 13 January 2021 for a net sale price of €120.5 million.

- 9 Percier: sale completed on 17 February 2021 for a net sale price of €143.5 million.

(in thousands of euros)	31 Dec. 2020	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasure-ement at fair value	Reclassifi-cations	31 Dec. 2021
Investment property held for sale	259,459	3	-	(259,462)	-	-	-
Total	**259,459**	**3**	**-**	**(259,462)**	**-**	**-**	**-**

V - 6) Profit on disposal of investment property

(in thousands of euros)	Sale price excl. transfer costs and tax	Carrying amount of the sold properties	Disposal gain	Disposal date
112 Wagram	120,500	120,474	26	13 January 2021
9 Percier	143,500	143,418	82	17 February 2021
Total	**264,000**	**263,892**	**108**	

The above carrying amounts include the costs of disposal for €1,279 thousand and the effects of specific lease terms (rent-free periods recognised over the non-cancellable lease term) for €3,151 thousand.

VI - Operating Activities

VI - 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 economic benefits are transferred on the effective date stipulated in the contract, or the date the tenant moves into the property 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 rental income 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
An analysis of the principal versus agent distinction under IFRS 15 led to the conclusion that the Group acts as principal. Accordingly, gross property expenses are presented 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 which accounts for 98.4% of rental income. Rental income takes into account the deferral over the non-cancellable lease term of rent-free periods and rent step-ups (negative net impact of €3,350 thousand) and of key money (negative impact of €1,950 thousand). Revenue from external management contracts amounted to €6,230 thousand.

At 31 December 2021, 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)]	1,174,056	187,707	171,290	143,078	105,756	90,507	475,719

[(1)] Nominal rent, without taking into account any rent-free periods.

At 31 December 2020, future minimum lease payments receivable over the remaining term of non-cancellable operating leases broke 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)]	1,033,110	176,089	158,373	128,602	94,372	60,814	414,861

[(1)] Nominal rent, without taking into account any rent-free periods.

VI - 2) Other income

(in thousands of euros)	2021	2020
Own-work capitalised	678	311
Other income	3,408	4,025
Total	4,086	4,336

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

VI - 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. A receivables ageing analysis is used to determine historical losses. Expected losses are then determined based on observed historical losses adjusted for a forward-looking component. 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. 2021			31 Dec. 2020
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	27,517	22,929	4,588	72,009
Provisions	(5,139)	(2,142)	(2,997)	(2,423)
Trade receivables	**22,378**	**20,787**	**1,591**	**69,586**
Prepayments to suppliers	83	83	-	(285)
Employee advances	6	6	-	1
Tax receivables (other than income tax)	21,810	21,810	-	13,038
Other operating receivables	1,280	1,280	-	902
Other receivables	1,116	1,116	-	189
Other receivables	**24,295**	**24,295**	**-**	**13,845**
Total	**46,673**	**45,082**	**1,591**	**83,431**

Trade receivables include outstanding receivables, and the short-term portion of receivables related to the recognition of rent-free periods and rent concessions in accordance with IFRS for €14,307 thousand. At 31 December 2020, receivables related to the recognition of rent-free periods and rent concessions amounted to €65,521 thousand, of which €18,190 thousand was due within one year. Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	2021	2020
Increases in provisions	(867)	(888)
Reversals of provisions	225	5
Bad debt write-offs, net of recoveries	(27)	(4)
Total	**(670)**	**(887)**
Rental income	174,634	182,424
Cost of risk as a % of rental income	**0.38%**	**0.49%**

VI - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Non-current prepayments	-	26,832
Other trade receivables	44,712	-
Total other non-current assets	**44,712**	**26,832**
Income tax prepayments	47	1,855
Current prepayments	2,715	195
Total other current assets	**2,762**	**2,050**

Other trade receivables recorded under “Other non-current assets” correspond to the long-term portion of receivables relating to the recognition of rent-free periods and rent concessions in accordance with IFRS. At 31 December 2020, the long-term portion of receivables relating to the recognition of rent-free periods and rent concessions amounted to €47,331 thousand and was presented as a lump sum with the short-term portion under “Current assets”.
Current prepayments concern redevelopment work on the Cézanne Saint-Honoré property.

VI - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Trade payables	8,547	9,248
Amounts due within one year on asset acquisitions	36,505	34,460
Total	**45,052**	**43,708**

Amounts due within one year on asset acquisitions correspond mainly to the amounts payable to building contractors in connection with renovation work on the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

VI - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Deposits	28,748	27,691
Total other non-current liabilities	**28,748**	**27,691**
Deposits	3,438	2,921
Customer prepayments	31,277	20,727
Accrued employee benefits expense	13,487	5,936
Accrued taxes	4,064	7,911
Other liabilities	3,846	7,200
Accruals	1,952	352
Total other current liabilities	**58,064**	**45,047**

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

VI - 7) Other expenses

(in thousands of euros)	2021	2020
Fees	(1,769)	(1,391)
Taxes other than on income	(1,764)	(2,663)
Other	(6,445)	(4,599)
Total	**(9,978)**	**(8,653)**

Fees paid to the Auditors in 2021 were as follows:

(in thousands of euros)	2021		2020	
	PricewaterhouseCoopers	Deloitte & Associés	PricewaterhouseCoopers	Deloitte & Associés
Statutory and contractual audits	349	284	328	245
Other services	62	44	87	44
Total	**411**	**328**	**415**	**289**

Fees for other services concerned the issuance of a comfort letter in connection with a bond issue, the review of the translation of financial information, the review, at the Group's request, of CSR information published in the management report, and the issuance of a certificate in connection with share grants.

VII - Financing Activities

VII - 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)	Nominal rate (%)	Expiry date	31 Dec. 2021	31 Dec. 2020	31 Dec. 2021	31 Dec. 2020
			Short-term portion		Long-term portion	
Bonds						
€500 million bond issue, 2021-2028	0.50%	21 April 2028	493	-	500,000	-
€500 million bond issue, 2020-2027	1.50%	5 June 2027	4,315	4,316	500,000	500,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	4,459	4,459	500,000	500,000
€500 million bond issue, 2015-2022	2.25%	16 Nov. 2022	290,421	821	-	289,600
€500 million bond issue, 2014-2021	1.875%	-	-	250,162	-	-
Bank loans						
Natixis – Deka – Deutsche Hypotheken	1.571%	-	-	2,622	-	195,000
Negotiable European commercial paper (NEU-CP)	Fixed rate (payable in advance)	Due within 1 year	117,000	165,000	-	-
Interest rate swaps						
CA-CIB 5-year swap starting 26 Nov. 2021	-0.3475%	-	-	-	-	457
Current account advances (liabilities)	Various	-	-	52,195	-	-
Bank overdrafts	Various	-	16	4,362	-	-
Impact of deferred recognition of debt arranging fees		-	(3,448)	(3,000)	(11,258)	(8,497)
Total			**413,256**	**480,937**	**1,488,742**	**1,476,560**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2021	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2020
Bonds	1,799,688	299,688	500,000	1,000,000	1,549,358
Natixis/Deka/Deutsche Hypothekenbank	-	-	-	-	197,622
NEU CP	117,000	117,000	-	-	165,000
CA-CIB 5-year 0.3475% swap	-	-	-	-	457
Current account advances (liabilities)	-	-	-	-	52,195
Bank overdrafts	16	16	-	-	4,362
Deferred debt arranging fees	(14,706)	(3,448)	(9,737)	(1,521)	(11,497)
Total	**1,901,998**	**413,256**	**490,263**	**998,479**	**1,957,497**

Debt covenants and acceleration clauses in force at 31 December 2021 concerned the following lines of credit: Société Générale, BECM, BNP Paribas, Cadif, Intesa Sanpaolo and La Banque Postale. They can be broken down as follows:

Applicable ratios	Actual ratios at 31 Dec. 2021	Actual ratios at 31 Dec. 2020	Main acceleration clauses
Loan-to-value (LTV) <= 50%	22.0%	23.8%	Default Termination of operations
Interest cover >= 2x	4.9	5.2	Bankruptcy proceedings
Secured LTV <= 20%	0.0%	2.5%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€8.1bn	€6.8bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2021.

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

(in thousands of euros)	**2021**	**2020**
Interest on bank loans, bonds and commercial paper	(30,312)	(31,485)
Interest on external current account advances	(46)	(144)
Interest on hedging instruments	-	(274)
Other financial expenses	(3,668)	(3,452)
Capitalised interest expense	6,058	5,477
Finance costs and other financial expenses	**(27,968)**	**(29,878)**
Interest income	17	17
Financial income	**17**	**17**
Finance costs and other financial income and expenses, net	**(27,951)**	**(29,861)**

Capitalised interest expense corresponds to interest capitalised at the rate of 1.45% during the redevelopment of the Louvre Saint-Honoré, Biome and 83 Marceau buildings.

VII - 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 period-end.

All of the derivative instruments held by the Group are considered as macro-hedges and qualify for hedge accounting. Prospective hedge effectiveness tests performed at the period-end showed that the hedges were 100% effective. All of the Group's hedging positions correspond to cash flow hedges. 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.

Standard market valuation methods are used – corresponding to Level 2 inputs in the fair value hierarchy (see Note V-4) – taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.

At 31 December 2021, derivatives held by the Group included:

- A 7-year collar set up with Société Générale (the option writer) on a notional amount of €100,000 thousand, with a -0.11% cap and a -0.60% floor. No premium is payable on this collar which was set up on 4 September 2019 and restructured in May 2021. It is a cash flow hedge qualifying for hedge accounting.

- A 5-year collar set up with CIC (the option writer) on a notional amount of €100,000 thousand, with a -0.25% cap and a -0.52% floor. No premium is payable on this collar, which will come into effect on 16 November 2022. It is a cash flow hedge qualifying for hedge accounting.

Fair value of hedging instruments

At 31 December 2021, the portfolio of hedging instruments had a positive fair value of €4,124 thousand (including the cost of credit), breaking down as follows:

(in thousands of euros)	**Notional amount**	**Maturity**	**31 Dec. 2021**	**31 Dec. 2020**
CA-CIB swap at -0.3475%	100,000	Oct. 2021(1)	-	(457)
CIC swap at -0.4525%	100,000	Oct. 2021(1)	-	76
Société Générale collar -0.11%/-0.60%	100,000	Sept. 2026	1,671	46
CIC collar -0.25%/-0.52%	100,000	Nov. 2027	2,453	165
Total			**4,124**	**(170)**

(1) *Date on which the instrument was unwound.*

Two hedging instruments held by the Group at the beginning of the period were unwound to coincide with a new debt issue (see Note VII - 1), in exchange for a balancing payment. The instruments concerned were:

- 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 came into effect on 26 November 2021 and qualified 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 came into effect on 26 November 2021 and qualified for hedge accounting as a cash flow hedge.

As the hedges were 100% effective, the cumulative gains on these instruments recorded in the cash flow hedging reserve in equity are being reclassified to the profit and loss account to match the interest on the debt.

(in thousands of euros)	**Notional amount**	**Date on which the instrument was unwound**	**Balance received**	**Amount reclassified to the profit and loss account**	**Amount retained in equity**
CA-CIB swap at -0.3475%	100,000	Oct. 2021	1,001	26	975
CIC swap at -0.4525%	100,000	Oct. 2021	1,520	38	1,482
Total			**2,521**	**64**	**2,457**

Fair value adjustments to financial instruments through profit or loss and other financial income and expenses

(in thousands of euros)	**2021**	**2020**
Interest rate hedges	-	(10)
Debt retirement costs	(2,200)	(4,309)
Total	**(2,200)**	**(4,319)**

In 2021, debt retirement costs consisted of early repayment charges on Parholding's mortgage loan.

Fair value adjustments to financial instruments through other comprehensive income

(in thousands of euros)	2021	2020
Interest rate hedges	6,751	(5,867)
Total	**6,751**	**(5,867)**

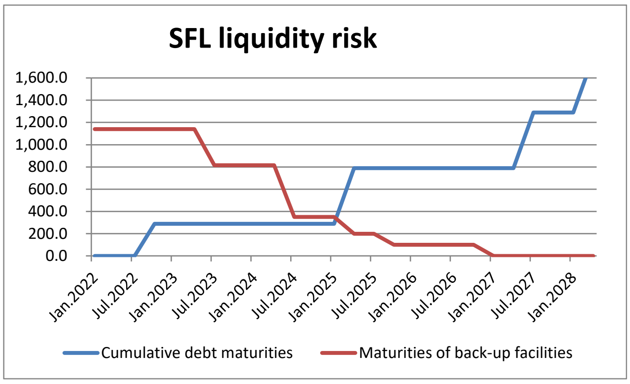
Positive fair value adjustments recorded in other comprehensive income on financial instruments qualified as cash flow hedges amounted to €6,751 thousand in 2021 (2020: negative fair value adjustments of €5,867 thousand).

VII - 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 2021, SFL had access to confirmed undrawn lines of credit in the amount of €1,140 million, compared with €1,040 million at 31 December 2020. 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 May 2025.



In addition to its undrawn lines of credit, SFL has diversified sources of financing (comprising bilateral lines of credit, bonds, NEU CP commercial paper programme, etc.) and a portfolio of high quality assets, all of which reduce its exposure to liquidity risk.

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

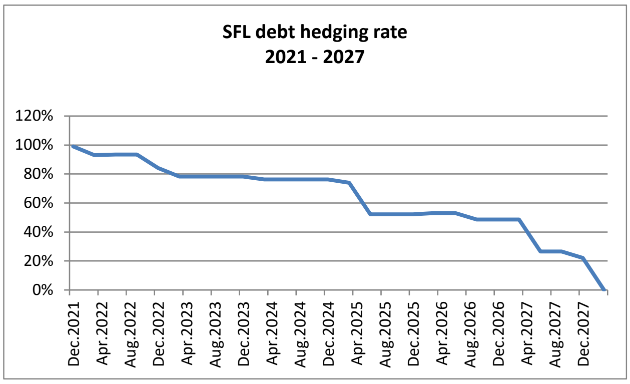
3 - Market risk

The Group did not have any exposure to currency risk at 31 December 2021. 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 2021, 99% of debt was at fixed rates of interest (including variable rate debt swapped for fixed rate).



b/ Risk assessment

The average spot cost of debt stood at 1.23% at 31 December 2021, versus 1.50% at 31 December 2020.

A 50-basis point rise in interest rates across the yield curve in 2021 would have had the effect of increasing the average cost of debt to 1.26%, driving up finance costs by €572 thousand or 2.05%. 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 1.22%, reducing finance costs for the year by €191 thousand or 0.68%.

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 €3,860 thousand at 31 December 2021, while a 50-basis point decrease would have had the effect of reducing their fair value by €4,020 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 2021.

(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)	117,000	-	-	-	-	-	**117,000**
Total floating rate debt	**117,000**	-	-	-	-	-	**117,000**

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 2021 was €1,836,854 thousand, as follows:

(in thousands of euros)	Nominal amount	Maturity	31 Dec. 2021	31 Dec. 2020
November 2014 bonds	249,700	Nov. 2021	-	253,024
November 2015 bonds	289,600	Nov. 2022	294,219	300,430
May 2018 bonds	500,000	May 2025	521,590	528,315
June 2020 bonds	500,000	June 2027	526,975	533,378
October 2021 bonds	500,000	April 2028	494,070	-
Total			**1,836,854**	**1,615,147**

VII - 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. 2021	31 Dec. 2020
Deposits	222	227
Interest rate hedges	4,124	287
Total	**4,346**	**514**

Hedging instruments with a positive fair value recognised in assets totalled €4,124 thousand at 31 December 2021 (see Note VII-3). The instruments concerned are cash flow hedges qualifying for hedge accounting.

VII - 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.
Bank overdrafts represent a source of financing for the Group and they are therefore included in cash flows from financing activities in the statement of cash flows.

(in thousands of euros)	31 Dec. 2021	31 Dec. 2020
Cash at bank and in hand	114,881	15,283
Total	**114,881**	**15,283**

VIII - Equity and Earnings Per Share

VIII - 1) Equity

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

The Company's share capital at 31 December 2021 amounted to €85,729 thousand, represented by 42,864,715 ordinary shares with a par value of €2. At 1 January 2021, it amounted to €93,058 thousand, represented by 46,528,974 shares with a par value of €2. The asset swap carried out in connection with the Colonial transaction (see Note II - Significant Events of the Year) resulted in the cancellation of 3,664,259 SFL shares.

Capital increases or reductions are considered as “transactions with owners acting in their capacity as owners". Consequently, the direct costs associated with the transaction are recognised directly in equity. The impact of the share cancellation can be analysed as follows:

(in thousands of euros)	Reduction of share capital	Reduction of share premium account	Direct transaction costs	Total impact	*of which cash impact*	*of which non-cash impact*
Equity attributable to owners of the parent	(7,329)	(346,921)	(1,097)	**(355,347)**	(1,097)	(354,250)
Total	(7,329)	(346,921)	(1,097)	**(355,347)**	(1,097)	(354,250)

At 31 December 2019 and 31 December 2020, €4,264 thousand was reclassified from “Other reserves” to “Share premium account” to correct a classification error in the consolidated statement of changes in equity. This reclassification had no impact on attributable total equity or on the disclosures in the other financial statements or notes.

VIII - 2) Treasury shares

Accounting policy

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

	31 Dec. 2020	Increases	Decreases	31 Dec. 2021
Number of treasury shares	175,818	11,196	(72,851)	114,163
Average purchase/sale price, in euros	€73.27	€69.29	€63.38	€79.19
Total (in thousands of euros)	**12,882**	**776**	**(4,617)**	**9,040**

VIII - 3) Dividends

(in thousands of euros)	2021		2020	
	Total payout	Per share	Total payout	Per share
Dividend paid out during the year	97,476	€2.10	122,828	€2.65
Total	**97,476**	**€2.10**	**122,828**	**€2.65**

Dividends of €9,944 thousand due to Prédica on its non-controlling interest in SFL were recorded in a current account and then exchanged with the Group as part of an asset swap (see Note VIII - 5).

VIII - 4) Earnings per share

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, i.e., the number of ordinary shares outstanding at the beginning of the period, net of treasury shares, adjusted for the time-weighted number of ordinary shares cancelled or issued during the period.

Diluted earnings per share are calculated by dividing profit attributable to ordinary owners of the parent by the weighted average number of ordinary shares outstanding during the period, net of treasury shares and adjusted for the dilutive effect of outstanding performance shares awarded to employees and corporate officers.

(in thousands of euros)	2021	2020
Profit used to calculate basic earnings per share	292,041	286,879
Average number of ordinary shares	45,002,199	46,528,974
Average number of treasury shares	(128,619)	(175,818)
Average number of ordinary shares excluding treasury shares	**44,873,580**	**46,353,156**
Basic earnings per share	**€6.51**	**€6.19**
Profit used to calculate basic earnings per share	292,041	286,879
Average number of ordinary shares	45,002,199	46,528,974
Average number of treasury shares	(128,619)	(175,818)
Average potential ordinary shares corresponding to dilutive instruments	102,099	92,286
Diluted weighted average number of ordinary shares excluding treasury shares	**44,975,679**	**46,445,442**
Diluted earnings per share	**€6.49**	**€6.18**

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.

VIII - 5) Changes in ownership interests

Accounting policy

Acquisitions or disposals of interests in subsidiaries between the Group and minority shareholders that do not result in a change of control of the subsidiary are considered as "transactions with owners acting in their capacity as owners". The impact of these transactions is therefore recognised directly in equity without any impact on profit or loss or goodwill.

The accounting treatment of acquisitions of non-controlling interests is as follows:
1 - The acquired non-controlling interest is reclassified under “Equity attributable to owners of the parent”, and
2 - The purchase price of the acquired interest (or the value of the assets given in exchange) is eliminated against “Equity attributable to owners of the parent”.

The accounting treatment of disposals of non-controlling interests is as follows:
1 - The divested non-controlling interest in the subsidiary’s equity, determined on the basis of the amount by which the controlling interest is adjusted post-disposal, is deducted from “Equity attributable to owners of the parent”, and
2 - the sale price of the non-controlling interest (or the value of assets received in exchange) is recorded in “Equity attributable to owners of the parent”.

As the transactions below are "transactions with owners acting in their capacity as owners", the related direct costs are also recognised in equity.

The cash flows resulting from these asset swaps are included in cash flows from financing activities.

On 4 August 2021, the Group entered into an asset swap with its minority shareholder Prédica, whereby SFL acquired Prédica's interests in SCI Washington (34%) and SAS Parholding (50%), and sold its 49% minority interests in SCI 103 Grenelle, SCI Paul Cézanne, SAS 92 Champs-Elysées and SAS Cloud. The effects of these asset swaps are presented below:

(in thousands of euros)	Acquisitions of non-controlling interests	Disposals of non-controlling interests	Costs assumed for the benefit of Prédica	Acquisition of SFL shares[1]	Current account advances transferred to the Group	Direct transaction costs	Impact Total
Attributable to owners of the parent	549,572	(1,036,246)	(6,354)	354,250	62,137	(32,709)	(109,350)
Non-controlling interests	(549,572)	1,036,246	-	-	-	-	486,674
Total impact on equity	**-**	**-**	**(6,354)**	**354,250**	**62,137**	**(32,709)**	**377,324**

[1] *The acquired SFL shares were immediately cancelled (see Note VIII - 1)*

The transaction cash flows amounted to €38,205 thousand, consisting mainly of direct transaction costs.

VIII - 6) Non-controlling interests in net profit

Net profit for the period is allocated between the owners of the parent and non-controlling interests based on their respective ownership interests in the subsidiaries. Following the asset swap (see Note VIII - 5), non-controlling interests in net profit for the period break down as follows:

(in thousands of euros)	SCI Washington	Parholding Group	SCI Paul Cézanne	SCI 103 Grenelle	SAS 92 Champs-Elysées	SAS Cloud	Total 2021
Rental income	4,088	8,164	2,279	1,657	2,229	3,690	22,108
Fair value adjustments to investment property	5,004	(6,108)	23,760	943	3,175	24,605	51,379
Finance costs and other financial income and expense	(18)	(1,160)	(1)	(1)	(1)	(2)	(1,182)
Other	(143)	(753)	(159)	39	(404)	(880)	(2,300)
Total	**8,930**	**144**	**25,878**	**2,639**	**4,999**	**27,414**	**70,005**

The 2020 breakdown was follows:

(in thousands of euros)	SCI Washington	Parholding Group	SCI Paul Cézanne	SCI 103 Grenelle	SAS 92 Champs Elysées	SAS Cloud	Total 2020
Rental income	7,848	13,783	-	-	-	-	21,631
Fair value adjustments to investment property	4,559	(15,207)	-	-	-	-	(10,648)
Finance costs and other financial income and expense	(97)	(1,799)	-	-	-	-	(1,896)
Other	398	(13)	-	-	-	-	385
Total	12,709	(3,236)	-	-	-	-	9,472

IX - Provisions

IX - 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 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 almost 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. 2020	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	31 Dec. 2021
Provisions for employee benefits	1,608	1,181	(20)	*(20)*	36	(960)	1,844
Long-term provisions	**1,608**	**1,181**	**(20)**	***(20)***	**36**	**(960)**	**1,844**
Provisions for refurbishment work and tenant claims	276	-	(276)	(219)	-	-	-
Provisions for employee benefits	731	-	(731)	*(731)*	-	960	960
Short-term provisions	**1,007**	**-**	**(1,007)**	***(950)***	**-**	**960**	**960**
Total	2,615	1,181	(1,027)	*(970)*	36	-	2,804

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,346 thousand. See Note X-2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €72.7 thousand at 31 December 2021 and €59 thousand at 31 December 2020.

IX - 2) Net change in provisions and impairment

(in thousands of euros)	2021	2020
Charges to provisions for impairment of current assets	(867)	(888)
Charges to provisions for operating contingencies and charges	(1,065)	(728)
Charges to provisions for other contingencies and charges	(116)	(89)
Total charges	**(2,048)**	**(1,705)**
Reversals of provisions for impairment of current assets	225	5
Reversals of provisions for other contingencies and charges	57	-
Total reversals	**282**	**5**
Total	(1,766)	(1,700)

X - Remuneration and Other Employee Benefits

X - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2021	2020
Wages and salaries	(6,758)	(7,325)
Payroll taxes	(4,803)	(3,805)
Other employee benefits	(3,853)	(3,198)
Statutory and discretionary profit-sharing	(7,325)	(254)
Total	**(22,739)**	**(14,582)**

The average number of administrative staff breaks down as follows:

	2021	2020
Officers	2	2
Managers	56	58
Supervisors	13	12
Administrative and technical staff	-	1
Total	**71**	**73**

The Group also had two building caretakers at 31 December 2021 and 2020.

X - 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)	2021	2020
Projected benefit obligation at beginning of period	**1,215**	**1,018**
Benefits paid during the period	(20)	(7)
Service cost	113	83
Interest cost	**3**	6
Actuarial gains and losses	36	115
Projected benefit obligation at end of period	**1,346**	**1,215**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 0.78% (31 December 2020: 0.29%) and a 2.50%-rate of future salary increases (31 December 2020: 1.00%). Actuarial gains and losses are recognised in equity.
A 25-bps reduction in the discount rate at 31 December 2021 would lead to a €33.3 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 defined benefit obligations, no sensitivity analyses are presented.

X - 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 2021

	Plan no. 5	Plan no. 5	Plan no. 5
Date of shareholder authorisation	20 April 2018	20 April 2018	20 April 2018
Grant date (date of Board meeting)	15 Feb. 2019	6 Feb. 2020	11 Feb. 2021
Initial target number of shares	32,948	34,476	33,460
Initial expected vesting rate	100%	100%	100%
Initial number of shares expected to vest	32,948	34,476	33,460
Fair value per share	€54.00	€65.38	€54.59
Rights cancelled/forfeited	(452)	(468)	(340)
Expected vesting rate at end of period	200%	100%	100%
Number of shares expected to vest at end of period	**64,992**	**34,008**	**33,120**

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 2021, the rates applied were 200% for the 2019 plan (probable ranking: no. 1) and 100% for the 2020 and 2021 plans (probable ranking: no. 3).

In 2021, a total of 63,648 performance shares vested under 2018 Plan no. 5.

The cost of performance share plans recognised in 2021 amounted to €3,869 thousand (excluding specific employer contributions).

X - 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)	2021	2020
Short-term benefits, excluding payroll taxes[(1)]	2,730	2,653
Payroll taxes on short-term benefits	2,093	1,862
Share-based payments[(2)]	1,754	2,117
Directors' fees	800	693
Total	**7,377**	**7,325**

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

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

XI - Income Taxes

XI - 1) 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 current and deferred taxes are recognised is therefore limited.

Current income tax expense for 2021 amounted to €3,851 thousand (2020: €2,757 thousand) and mainly concerned the Parholding tax group.

XI - 2) 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., 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 period-end is used, i.e., 26.5%.

(in thousands of euros)	31 Dec. 2020	Reclassifications	Equity	Income statement	31 Dec. 2021
Fair value adjustments to investment property	(183,442)	-	-	8,365	(175,078)
Adjustment of depreciation	(28,895)	-	-	(1,606)	(30,502)
Adjustment of rental income	(3,182)	-	-	(157)	(3,339)
Capitalisation of interest expense and transaction costs	(521)	-	-	-	(521)
Other	(1,224)	-	-	(1)	(1,225)
Net	**(217,266)**	-	-	6,601	(210,666)
Of which deferred tax assets	-	-	-	-	-
Of which deferred tax liabilities	(217,266)	-	-	6,601	(210,666)

XI - 3) Consolidated tax proof

(in thousands of euros)	2021	2020
Profit after income tax	362,046	296,351
Income tax benefit/(expense)	2,750	1,548
Profit before income tax	359,296	294,804
Corporate income tax rate applicable in France	27.37%	28.92%
Theoretical income tax expense	(98,356)	(85,269)
Impact of differences in tax rates	(467)	(689)
Impact of permanent differences	(2,064)	(1,670)
Impact of unrecognised tax losses	(940)	(942)
Impact of unrecognised deferred tax assets	(1,456)	5
Effects of tax credits	49	361
Effects of the SIIC regime	105,980	89,751
Other	4	1
Actual income tax benefit/(expense)	**2,750**	**1,548**
Effective tax rate	-0.77%	-0.52%

Income tax expense is reconciled to book profit using the tax rate of the country where the parent company is located, i.e., France.

The impact of differences in tax rates results from the recognition during the period of deferred taxes determined at tax rates that are different from the current rate.

Unrecognised deferred tax assets arise from deductible temporary differences for which the recovery of the associated tax benefit is not considered probable.

SIICs are flow-through entities and are exempt from corporate income tax.

XII - Off-Balance Sheet Commitments

XII - 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)	115,613	16,549	76,411	22,653
Guarantees received from suppliers	46,407	46,407	-	-
Total commitments received	**162,020**	**62,956**	**76,411**	**22,653**

Contractual redevelopment and renovation obligations

At 31 December 2021, the Group's contractual commitments relating to investment property undergoing renovation totalled €98,356 thousand (€128,951 thousand at 31 December 2020), of which €72,455 thousand concerned the Biome and Louvre Saint-Honoré properties.

XII - 2) Off-balance sheet financing commitments

At 31 December 2021, off-balance sheet financing commitments only concerned unused confirmed credit lines. They can be broken down as follows:

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
BECM	150,000	-	150,000	-
Cadif	175,000	-	175,000	-
Société Générale	100,000	-	100,000	-
BNP Paribas 2019	390,000	-	390,000	-
Banque Postale	75,000	-	75,000	-
Intesa Sanpaolo	100,000	-	100,000	
BNP Paribas 2020	150,000	-	150,000	-
Total	**1,140,000**	**-**	**1,140,000**	**-**

XII - 3) Employee-related off-balance sheet commitments

An employee who is also an officer of the Company is entitled to compensation if he or she resigns or is dismissed as a result of a major change in the scope of his or her responsibilities following a significant direct or indirect change in the ownership structure of SFL or its controlling shareholder.
One officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he or she is dismissed from his or her position for reasons other than gross or wilful misconduct.

At 31 December 2021, total commitments for the payment of compensation amounted to €2,710 thousand (€2,699 thousand at 31 December 2020).

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.

XIII - Note to the Statement of Cash Flows

XIII - 1) Acquisitions of and improvements to investment properties and cash and cash equivalents

(in thousands of euros)	2021	2020
Acquisitions of and improvements to investment property		
Work	(129,378)	(132,182)
Total	**(129,378)**	**(132,182)**
Cash and cash equivalents at end of period		
Cash at bank and in hand	114,881	15,283
Bank overdrafts	-	(4,362)
Total	**114,881**	**10,921**

XIII - 2) Changes in net cash provided by (used by) financing activities

(in thousands of euros)	31 Dec. 2020	Cash flows			Non-cash changes			31 Dec. 2021
		Proceeds from new borrowings	Repayments of borrowings	Interest paid[1]	Deferred recognition of debt arranging fees	Fair value adjustments	Other[2]	
Borrowings (excluding accrued interest)	1,724,883	643,463	(596,780)	-	3,328	-	-	1,774,894
Accrued interest on borrowings	10,599	-	-	(510)	-	-	-	10,088
Money market securities	165,000	695,000	(743,000)	-	-	-	-	117,000
Derivative instruments (liabilities)	457	-	-	-	-	(457)	-	-
Current account liabilities (excluding accrued interest)	52,195	-	-	-	-	-	(52,195)	-
Bank overdrafts	4,353	-	(4,353)	-	-	-	-	-
Accrued interest on bank overdrafts	9	-	-	7	-	-	-	16
Total	**1,957,497**	**1,338,463**	**(1,344,133)**	**(503)**	**3,328**	**(457)**	**(52,195)**	**1,901,998**

[1] *This amount represents the impact of the change in accrued interest reflected in paid interest and not the actual interest payments*
[2] *This amount includes the dividends payable on the SFL shares held by Prédica (€9,944 thousand) and the amount exchanged under the asset swap with the Group (see Note II - Significant Events of the Year).*

XIV - Scope of Consolidation

The table below summarises the main information concerning the scope of consolidation at 31 December 2021:

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	100	100
SC Parchamps	410 233 498	100	100
SC Pargal	428 113 989	100	100
SC Parhaus	405 052 168	100	100
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	51	51
SCI Paul Cézanne	438 339 327	51	51
SCI Washington	432 513 299	100	100
SNC Condorcet Holding	808 013 890	100	100
SNC Condorcet Propco	537 505 414	100	100
SAS Cloud	899 379 390	51	51
SAS 92 Champs-Elysées	899 324 255	51	51

Four companies are 51%-owned by SFL. A shareholders' pact gives SFL *de facto* control over these companies (through its ability to control the decisions that have the greatest impact on the yield generated by these investments). The four companies are therefore considered as being controlled exclusively by SFL.

As a result of the control exercised by the Group over all of its investments, all of the companies are fully consolidated.

Société Foncière Lyonnaise is a fully consolidated subsidiary of Spanish company Inmobiliaria Colonial SOCIMI, SA, which owned 98.3% of the capital at 31 December 2021. The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.