SOCIÉTÉ FONCIÈRE LYONNAISE

CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2022

FINANCIAL STATEMENTS

The consolidated financial statements were approved for publication by the Board of Directors on 14 February 2023.

A – Consolidated Statement of Financial Position

(in thousands of euros) **ASSETS**	**Notes** **Section E**	**31 Dec. 2022**	**31 Dec. 2021**
Intangible assets	V - 1	1,862	2,237
Property and equipment	V - 2	19,173	19,625
Investment property	V - 4	8,051,948	7,496,094
Non-current financial assets	VII - 5	15,338	4,346
Other non-current assets	VI - 4	71,060	44,712
Total non-current assets		**8,159,380**	**7,567,015**
Investment property held for sale	V - 6	57,100	-
Trade and other receivables	VI - 3	41,222	46,673
Non-current financial assets	VII - 5	13	-
Other current assets	VI - 4	846	2,762
Cash and cash equivalents	VII - 6	69,433	114,881
Total current assets		**168,614**	**164,316**
Total Assets		8,327,995	7,731,331

(in thousands of euros) **EQUITY AND LIABILITIES**	**Notes** **Section E**	**31 Dec. 2022**	**31 Dec. 2021**
Share capital	VIII - 1	85,729	85,729
Reserves		4,149,844	4,009,052
Profit for the period		143,430	292,041
Equity attributable to owners of the parent		**4,379,003**	**4,386,822**
Non-controlling interests		1,097,432	1,097,177
Total non-controlling interests		**1,097,432**	**1,097,177**
Total equity		**5,476,435**	**5,483,999**
Long-term borrowings and derivative instruments	VII - 1	2,073,914	1,488,742
Long-term provisions	IX - 1	1,535	1,844
Deferred tax liabilities	XI - 2	203,495	210,666
Other non-current liabilities	VI - 6	44,282	28,748
Total non-current liabilities		**2,323,226**	**1,730,000**
Trade and other payables	VI - 5	47,052	45,052
Short-term borrowings and other interest-bearing debt	VII - 1	414,577	413,256
Short-term provisions	IX - 1	1,266	960
Other current liabilities	VI - 6	65,438	58,064
Total current liabilities		**528,333**	**517,332**
Total equity and liabilities		8,327,995	7,731,331

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	2022	2021
Rental income		**204,517**	**174,634**
Gross property expenses		(44,520)	(38,530)
Property expenses recovered from tenants		33,969	29,746
Property expenses, net of recoveries		(10,552)	(8,784)
Net property rentals	**VI - 1**	**193,966**	**165,850**
Other income	VI - 2	8,051	4,086
Depreciation, amortisation and impairment	V - 3	(2,104)	(1,211)
Provision expense, net	IX - 2	(1,037)	(1,766)
Employee benefits expense	X - 1	(18,383)	(22,739)
Other expenses	VI - 7	(8,734)	(9,978)
Profit on disposal of investment property	V - 5	(440)	108
Fair value adjustments to investment property	V - 4	38,636	255,177
Operating profit		**209,955**	**389,528**
Finance costs and other financial expenses	VII - 2	(31,643)	(27,968)
Financial income	VII - 2	19	17
Discounting adjustments to receivables and payables		-	(80)
Other financial income and expenses	VII - 3	-	(2,200)
Profit before income tax		**178,331**	**359,296**
Income tax benefit	XI - 1-2	3,285	2,750
Profit for the period		**181,616**	**362,046**
Attributable to owners of the parent		**143,430**	**292,041**
Attributable to non-controlling interests	VIII - 6	38,186	70,005
Earnings per share	VIII - 4	€3.35	€6.51
Diluted earnings per share	VIII - 4	€3.34	€6.49
Other comprehensive income			
Actuarial gains and losses	IX - 1	383	(36)
Items that will not be reclassified to profit or loss		*383*	*(36)*
Valuation gains and losses on financial instruments (cash flow hedges)	VII - 3	24,103	6,751
Items that may be reclassified subsequently to profit or loss		*24,103*	*6,751*
Other comprehensive income		**24,485**	**6,715**
Comprehensive income		**206,102**	**368,761**
Attributable to owners of the parent		**167,916**	**298,756**
Attributable to non-controlling interests	VIII - 6	38,186	70,005

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 2020	**93,058**	**560,380**	**22,621**	**(17,953)**	**(170)**	**3,701,714**	**286,879**	**4,646,526**	**550,442**	**5,196,968**
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**
Profit for the period	-	-	-	-	-	-	143,430	143,430	38,186	181,616
Other comprehensive income, net of tax	-	-	-	-	24,103	383	-	24,485	-	24,485
Comprehensive income	**-**	**-**	**-**	**-**	**24,103**	**383**	**143,430**	**167,916**	**38,186**	**206,102**
Appropriation of profit			-	-	-	292,041	(292,041)	-	-	-
Treasury share transactions	-	-	-	4,592	-	-	-	4,592	-	4,592
Gains and losses on sales of treasury shares	-	-	-	(4,800)	-	-	-	(4,800)	-	(4,800)
Share-based payments	-	-	-	-	-	4,301	-	4,301	-	4,301
Dividends paid to owners of the parent	-	-	-	-	-	(179,828)	-	(179,828)	(37,931)	(217,759)
Equity at 31 December 2022	**85,729**	**160,003**	**22,621**	**(18,318)**	**30,684**	**3,954,857**	**143,430**	**4,379,003**	**1,097,432**	**5,476,435**

[(1)] At 31 December 2020, €4,264 thousand was reclassified from "Other reserves" to "Share premium account" to correct a classification error. This reclassification had no impact on the total equity attributable to owners of the parent, or on the disclosures in the other financial statements or notes.

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	2022	2021
Cash flows from operating activities			
Profit for the period attributable to owners of the parent		143,430	292,041
Fair value adjustments to investment property	V - 4	(38,636)	(255,177)
Depreciation and amortisation expense (excluding impairment)	V - 3	2,104	1,211
Net additions to/(reversals of) provisions	IX - 1	(1,913)	154
Net (gains)/losses from disposals of investment property	V - 6	440	(108)
Discounting adjustments to debt and fair value adjustments to financial instruments		-	80
Other financial income and expenses	VII - 3	-	2,200
Deferral of rent-free periods and key money	VI - 1	(22,192)	5,300
Employee benefits	X - 3	4,301	3,869
Non-controlling interests in profit for the period	VIII - 6	38,186	70,005
Cash flow after finance costs and income tax		**125,721**	**119,575**
Finance costs	VII - 2	31,624	27,951
Income tax	XI - 1-2	(3,285)	(2,750)
Cash flow before finance costs and income tax		**154,061**	**144,776**
Change in working capital		16,513	13
Interest paid		(13,241)	(28,405)
Interest received		19	17
Income tax paid		(4,614)	(6,030)
Net cash provided by operating activities		**152,737**	**110,371**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XIII - 1	(582,104)	(129,378)
Acquisitions of intangible assets and property and equipment		(1,276)	(1,025)
Amounts due on asset acquisitions		(1,042)	2,049
Proceeds from disposals of investment property, intangible assets and property and equipment	V - 5	26,872	264,000
Investment property disposal costs	V - 5	(277)	(1,279)
Other cash inflows and outflows		(70)	5
Net cash provided by (used in) investing activities		**(557,898)**	**134,372**
Cash flows from financing activities			
Capital increases/(reductions)	VIII - 1	-	(1,097)
Purchases and sales of treasury shares, net		(208)	(157)
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	(179,828)	(97,476)
Dividends paid to non-controlling interests		(37,931)	-
Proceeds from borrowings	XIII - 2	3,369,539	1,338,463
Repayments of borrowings	XIII - 2	(2,791,603)	(1,344,133)
Other movements in financing items		(257)	1,822
Net cash provided by (used in) financing activities		**359,713**	**(140,783)**
Net change in cash and cash equivalents		**(45,448)**	**103,960**
Cash and cash equivalents at beginning of period		114,881	10,921
Cash and cash equivalents at end of period	XIII - 1	69,433	114,881
Net change in cash and cash equivalents		**(45,448)**	**103,960**

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 amendments published by the IASB were adopted by the European Union in 2022:

- 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 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 2022 do not include any assets and liabilities recognised in a single transaction and therefore, the amendment was not early-adopted.

- Amendment to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information. 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.

The following amendments published by the IASB had not yet been adopted by the European Union at 31 December 2022:

- 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 2024.

- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback. The purpose of these amendments is to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in accordance with the current requirements of IFRS 16, but to determine the lease payments in such a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. In other words, the seller-lessee recognises in profit or loss only the gain or loss related to the right of use transferred to the buyer-lessor.

The amendments are effective for annual periods beginning on or after 1 January 2024. Early application is permitted.

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 V - 4).

I - 3) Critical accounting estimates and judgements

Certain amounts recognised in the consolidated financial statements reflect estimates and assumptions made by management in the context of the current uncertain geopolitical and economic environment, which has led to inflationary pressures, rising interest rates, higher raw materials and energy costs, supply shortages and exchange rate volatility. Assessing the impact of these factors on the future outlook remains difficult. Management has taken these uncertainties into account based on the reliable information available at the date of preparation of the consolidated financial statements, particularly for the fair value measurement of investment property and financial instruments.

Estimates are inherently uncertain and are reviewed by the Group based on regularly updated information. Actual results may ultimately differ from estimates made as of the date of preparation of the consolidated financial statements.

The most significant estimates concern:

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

- Fair values of financial instruments: all of the Group's financial instruments are measured at fair value using standard market valuation models (see Note VII - 4).

Impact of the Ukraine crisis on critical accounting estimates and judgements

SFL is not directly affected by the conflict in Ukraine as all of its assets are located in France, as are its customers.

II - Significant Events of the Period

II - 1) Redevelopment and renovation programmes

Properties undergoing redevelopment at 31 December 2022 represented 14% of the total portfolio. Of the total surface area undergoing redevelopment, around 75% concerned two major projects:

- 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. Work on the project was pursued during the year according to schedule.

- The Rives de Seine office building on Quai de la Râpée in Paris (approximately 23,000 sq.m.), which was vacated by the tenant on 30 September 2022 and will be extensively redeveloped. The building permit application has been filed and work will start in the first half of 2023, with delivery scheduled for the first half of 2026.

The Biome office complex on Avenue Emile Zola (approximately 25,000 sq.m. in total) was delivered on 19 July 2022 following a major redevelopment programme. The building is fully let, primarily to La Banque Postale and SFIL.

On 25 April 2022, SFL acquired the Pasteur building from Primonial REIM France for €485 million (excluding transfer costs paid by the vendor). The 40,000 sq.m. building is located at 91-93 boulevard Pasteur in the 15th *arrondissement* of Paris, next to Montparnasse train station. It is currently let to Amundi under a 12-year non-cancellable lease.

On 30 May 2022, SFL sold the 6,300 sq.m. Le Vaisseau building in Issy-les-Moulineaux to the Institut Catholique de Lille for €27 million excluding transfer costs.

In 2022, leases were signed on around 47,000 sq.m. of mainly office space, including the office space in the Biome complex (see above).

II - 2) Financing

In an environment shaped by a steep rise in interest rates, the Group carried out a number of operations during the year, including mainly:

- Issuance of two €99 million taps on the 0.5% bonds due 2028 and the 1.5% bonds due 2027.

- Signature with Caixabank and Banco Sabadell of two new five-year revolving lines of credit, in the amounts of €100 million and €50 million respectively.

- Rollover of the Cadif €175 million three-year revolving credit line expiring in June 2023 and the BECM €150 million five-year revolving credit line expiring in July 2023 with an increase in the amount of the facility to €200 million.

- Signature with a pool of five banks of a five-year €300 million term loan.

Most of these new banking facilities (for €725 million) are impact loans for which the interest rate depends in part on the Group's progress in reducing its carbon footprint. In addition, in early 2022, SFL converted all of its bond issues to green bonds (see Note III - 2).

SFL also set up new interest rate hedges on a total notional amount of €600 million.

These transactions have strengthened SFL's liquidity position and 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) Subsequent events

On 31 January 2023, SFL signed an agreement for the sale of the property located at 6 rue de Hanovre in Paris.

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 effects 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 a 15% average premium in their estimated rental values (ERVs) 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 is required.

- 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) Green financing

At the beginning of the year, the Group completed the bondholder-approved reclassification of all its outstanding bonds (representing a total principal amount of €1,790 million) as green bonds. It was able to take this important step thanks to its portfolio of environmentally sustainable assets valued at an amount equal to or greater than the total nominal amount of the outstanding bonds. Conversion of the bond debt into green bonds had no impact on the bonds' other characteristics, such as their terms, interest rates or maturity. The conversion costs totalled €177 thousand. In line with the same policy, the €198 million proceeds from the 2027 and 2028 taps were also allocated by SFL to finance or refinance green assets, defined as assets that have a positive impact on the environment.

Through these operations, the Group further strengthened the alignment between its environmental performance and its financial structure, becoming one of the first French listed companies to have all its bonds designated as green. These bonds are an alternative to traditional corporate financing, responding to growing corporate sensitivity to sustainability issues. Going forward, the Group intends to carry out all bond issues under its Green Financing Framework. Green financing gives the Group a competitive advantage and the bonds are attractive for capital market investors, who are turning more and more frequently to this type of investment.

In addition to these ESG-labelled project financing instruments, SFL has also set up financing instruments indexed to ESG performance objectives. In 2022, interest rates on more than 87% of new bank financing – representing a total of €725 million – were indexed to ESG performance objectives (mainly related to greenhouse gas emissions).

III - 3) Other potential effects on the consolidated financial statements

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

- 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 2022 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	2022
Rental income	**156,887**	**44,639**	**2,992**	**-**	**204,517**
Gross property expenses	(33,509)	(9,836)	(1,175)	-	(44,520)
Property expenses recovered from tenants	25,138	8,142	689	-	33,969
Property expenses, net of recoveries	(8,371)	(1,694)	(486)	-	(10,552)
Net property rentals	**148,515**	**42,944**	**2,506**	**-**	**193,966**
Other income	2,620	3,274	170	1,987	8,051
Depreciation, amortisation and impairment	-	-	-	(2,104)	(2,104)
Provision expense, net	120	189	-	(1,346)	(1,037)
Employee benefits expense	-	-	-	(18,383)	(18,383)
Other expenses	-	-	-	(8,734)	(8,734)
Profit/(loss) on disposal of investment properties	-	-	(440)	-	(440)
Fair value adjustments to investment property	16,401	16,563	5,672	-	38,636
Operating profit/(loss)	**167,657**	**62,970**	**7,907**	**(28,579)**	**209,955**
Finance costs and other financial expenses	-	-	-	(31,643)	(31,643)
Financial income	-	-	-	19	19
Profit/(loss) before income tax	**167,657**	**62,970**	**7,907**	**(60,203)**	**178,331**
Income tax benefit	-	-	-	3,285	3,285
Profit/(loss) for the period	**167,657**	**62,970**	**7,907**	**(56,919)**	**181,616**
Attributable to owners of the parent	**138,517**	**53,738**	**7,907**	**(56,731)**	**143,430**
Attributable to non-controlling interests	**29,141**	**9,233**	**-**	**(188)**	**38,186**
Other comprehensive income					
Actuarial gains and losses	-	-	-	383	383
Items that will not be reclassified to profit or loss	-	-	-	***383***	***383***
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	24,103	24,103
Items that may be reclassified subsequently to profit or loss	-	-	-	***24,103***	***24,103***
Other comprehensive income	**-**	**-**	**-**	**24,485**	**24,485**
Comprehensive income/(expense)	**167,657**	**62,970**	**7,907**	**(32,433)**	**206,102**
Attributable to owners of the parent	**138,517**	**53,738**	**7,907**	**(32,245)**	**167,916**
Attributable to non-controlling interests	**29,141**	**9,233**	**-**	**(188)**	**38,186**

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	31 Dec. 2022
Segment assets	6,306,596	1,787,907	96,463	107,272	8,298,238
Unallocated assets	-	-	-	29,757	29,757
Total assets	**6,306,596**	**1,787,907**	**96,463**	**137,028**	**8,327,995**

The segment analysis for 2021 is as follows:

(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		-	-	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	**-**	**-**	**-**	**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 December 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**

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. 2021	Increases	Decreases	Reclassifications	31 Dec. 2022
Cost					
Computer software	9,097	-	(1,050)	-	8,047
Other	1,189	378	(786)	-	782
Amortisation and impairment					
Computer software	(7,218)	(754)	1,050	-	(6,922)
Other	(832)	-	786	-	(46)
Carrying amount	**2,237**	**(375)**	**-**	**-**	**1,862**

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. 2021	Increases	Decreases	Reclassifications	31 Dec. 2022
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other property and equipment	6,836	898	(1,696)	-	6,038
Depreciation and impairment					
Owner-occupied property	(4,000)	(150)	-	-	(4,150)
Other property and equipment	(4,449)	(1,200)	1,696	-	(3,953)
Carrying amount	**19,625**	**(452)**	**-**	**-**	**19,173**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €51,920 thousand at 31 December 2022 and €51,040 thousand at 31 December 2021.

V - 3) Depreciation, amortisation and impairment

(in thousands of euros)	2022	2021
Amortisation and impairment of intangible assets	(754)	(495)
Depreciation and impairment of property and equipment	(1,350)	(716)
Total	**(2,104)**	**(1,211)**

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 2022 by independent experts, 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 (in charge of appraisals at SFL since 2017): 56%
- CBRE (in charge of appraisals at SFL since 2019): 44%
The firms ensure that their internal teams are rotated as required. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them. The valuers’ fees are agreed before the appraisal process begins and do not depend in any way on the value of the properties to be appraised. They are determined at a flat rate based exclusively on the number of properties to be valued and the complexity of the appraisal process. Fees paid to the valuers in 2022 other than for half-yearly and annual appraisals amounted to €31 thousand and mainly concerned market research.

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.

Assets under redevelopment are measured at their fair value, as determined at half-yearly intervals by independent experts using the discounted cash flows method, which is 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. 2021	Acquisitions	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassi-fications	31 Dec. 2022
Investment property	7,496,094	485,145	116,208	163,160	(27,035)	(124,524)	(57,100)	8,051,948
Total	**7,496,094**	**485,145**	**116,208**	**163,160**	**(27,035)**	**(124,524)**	**(57,100)**	**8,051,948**

The amount reported under "Acquisitions" corresponds to the purchase value of the investment property held by SCI Pasteur 123 (see Note VIII - 7).

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

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021
Appraisal value of investment property, excluding transfer costs	8,245,718	7,606,153
Deduction of owner-occupied property (see Note V - 2)	(51,920)	(51,040)
Adjustments to reflect specific lease terms and other adjustments	(84,750)	(59,019)
Reclassification of investment property held for sale	(57,100)	-
Fair value of investment property in the statement of financial position	**8,051,948**	**7,496,094**

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

Geographic area	**Value excluding transfer costs 31 December 2022 (in € millions, on a 100% basis)**	**Inputs**	**Range of values[1]**	**Weighted average[1]**
Paris CBD	6,361	ERV[2]	€700 - €975	€826
		Exit yield	3.10% - 3.40%	3.23%
		Discount rate	3.85% - 4.45%	4.17%
Other Paris	1,788	ERV[2]	€548 - €780	€675
		Exit yield	3.00% - 4.10%	3.50%
		Discount rate	4.25% - 5.50%	4.78%
Western Crescent	96	ERV[2]	€540 - €540	€540
		Exit yield	3.55% - 3.55%	3.55%
		Discount rate	4.60% - 4.60%	4.60%
Total	**8,246**			

[1] *Offices.*

[2] *Estimated rental value.*

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 €638,144 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 €741,922 thousand.

Investment property valuation inputs used at 31 December 2021 were as follows 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 CBD	6,252	ERV[2]	€630 - €940	€797
		Exit yield	2.60 - 3.11%	2.95%
		Discount rate	3.55 - 4.10%	3.76%
Other Paris	1,238	ERV[2]	€548 - €760	€684
		Exit yield	2.75 - 3.25%	2.99%
		Discount rate	3.90 - 5.50%	4.71%
Western Crescent	116	ERV[2]	€310 - €535	€479
		Exit yield	3.41 - 5.00%	3.80%
		Discount rate	4.35 - 6.10%	4.78%
Total	**7,606**			

[1] *Offices.*

[2] *ERV: estimated rental value.*

V - 5) Profit on disposal of investment property

During the period, the Group sold the Le Vaisseau investment property. The table below shows the key data relating to the sale of this asset:

(in thousands of euros)	Sale price excl. transfer costs and tax	Carrying amount of the sold properties	Disposal gain or loss	Disposal date
Le Vaisseau	26,872	27,312	(440)	30 May 2022
Total	**26,872**	**27,312**	**(440)**	

The above carrying amount takes into account disposal costs of €277 thousand.

V - 6) Investment property held for sale

Accounting policy

In accordance with IFRS 5, 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.

The value of investment properties held for sale is as follows:

(in thousands of euros)	31 Dec. 2021	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	31 Dec. 2022
Investment property held for sale	-	-	-	-	-	57,100	57,100
Total	**-**	**-**	**-**	**-**	**-**	**57,100**	**57,100**

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 82.9% of rental income. Rental income includes the €22,192 thousand positive net impact of the deferral over the non-cancellable lease term of rent-free periods, rent step-ups and key money. Revenue from external management contracts amounted to €9,562 thousand.

At 31 December 2022, 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	1,383,455	156,783	167,684	159,843	143,734	130,149	625,262

The future minimum lease payments presented above include the impact of rent-free periods, unlike the 31 December 2021 figures, which were determined on the basis of nominal rent. They 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.*

VI - 2) Other income

(in thousands of euros)	2022	2021
Own-work capitalised	1,980	678
Other income	6,071	3,408
Total	8,051	4,086

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. 2022			31 Dec. 2021
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	24,436	19,706	4,731	27,517
Provisions	(3,885)	(814)	(3,071)	(5,139)
Trade receivables	**20,551**	**18,892**	**1,659**	**22,378**
Prepayments to suppliers	79	79	-	83
Employee advances	6	6	-	6
Tax receivables (other than income tax)	17,667	17,667	-	21,810
Other operating receivables	1,526	1,526	-	1,280
Other receivables	1,394	1,394	-	1,116
Other receivables	**20,671**	**20,671**	**-**	**24,295**
Total	**41,222**	**39,563**	**1,659**	**46,673**

Trade receivables include outstanding receivables, and the short-term portion of receivables relating to the recognition of rent-free periods and rent concessions in accordance with IFRS for €13,690 thousand (31 December 2021: €14,307 thousand). Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	2022	2021
Increases in provisions	(493)	(867)
Reversals of provisions	802	225
Bad debt write-offs, net of recoveries	(4)	(27)
Total	**304**	**(670)**
Rental income	204,517	174,634
Cost of risk as a % of rental income	**-0.15%**	**0.38%**

VI - 4) Other current and non-current assets

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021
Other trade receivables	71,060	44,712
Total other non-current assets	**71,060**	**44,712**
Income tax prepayments	121	47
Current prepayments	725	2,715
Total other current assets	**846**	**2,762**

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.
Current prepayments correspond mainly to office tax payments.

VI - 5) Trade and other payables

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021
Trade payables	11,589	8,547
Amounts due within one year on asset acquisitions	35,463	36,505
Total	**47,052**	**45,052**

Amounts due within one year on asset acquisitions correspond mainly to the amounts payable to building contractors, most of which in connection with renovation work on the Louvre Saint-Honoré building.

VI - 6) Other current and non-current liabilities

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021
Deposits	44,282	28,748
Total other non-current liabilities	**44,282**	**28,748**
Deposits	4,009	3,438
Customer prepayments	31,660	31,277
Accrued employee benefits expense	11,959	13,487
Accrued taxes	5,011	4,064
Other liabilities	10,522	3,846
Accruals	2,277	1,952
Total other current liabilities	**65,438**	**58,064**

The caption "Deposits" corresponds mainly to security 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)	2022	2021
Fees	(2,243)	(1,769)
Taxes other than on income	(1,747)	(1,764)
Other	(4,744)	(6,445)
Total	**(8,734)**	**(9,978)**

Fees paid to the Auditors and the members of their networks were as follows:

(in thousands of euros)	2022		2021	
	PricewaterhouseCoopers	Deloitte & Associés	PricewaterhouseCoopers	Deloitte & Associés
Statutory and contractual audits	359	307	349	284
Other services	86	24	62	44
Total	**445**	**330**	**411**	**328**

In 2022, fees for other services concerned 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 must subsequently be measured at amortised cost, using the effective interest method. In principle, 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.
For simplicity, the Group amortises debt issuance costs and premiums on a straight-line basis, as the results obtained using this method are almost identical to those obtained using the effective interest rate method.

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. 2022	31 Dec. 2021	31 Dec. 2022	31 Dec. 2021
			Short-term portion		Long-term portion	
Bonds						
€500 million bond issue, 2021-2028	0.50%	21 April 2028	2,092	493	599,000	500,000
€500 million bond issue, 2020-2027	1.50%	5 June 2027	5,169	4,315	599,000	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	-	-
Bank loans						
BNPP syndicated term loan	3-month Euribor + margin	-	282	-	300,000	-
BNPP syndicated loan	3-month Euribor + margin	-	479	-	100,000	-
Negotiable European commercial paper (NEU-CP)	Fixed rate (payable in advance)	Within 1 year	409,000	117,000	-	-
Interest on derivatives	Other	-	255	-	-	-
Bank overdrafts	Various	-	6	16	-	-
Impact of deferred recognition of debt arranging fees		-	(7,165)	(3,448)	(24,086)	(11,258)
Total			**414,577**	**413,256**	**2,073,914**	**1,488,742**

The following table analyses borrowings by maturity:

(in thousands of euros)	31 Dec. 2022	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2021
Bonds	1,709,720	11,720	1,099,000	599,000	1,799,688
BNPP term loan	300,282	282	300,000	-	-
BNPP syndicated loan	100,479	479	100,000	-	-
NEU CP	409,000	409,000	-	-	117,000
Interest on derivatives	255	255	-	-	-
Bank overdrafts	6	6	-	-	16
Deferred debt arranging fees	(31,251)	(7,165)	(23,110)	(976)	(14,706)
Total	**2,488,491**	**414,577**	**1,475,890**	**598,024**	**1,901,998**

Debt covenants and acceleration clauses in force at 31 December 2022 concerned the following lines of credit: Société Générale, BECM, BNP Paribas, Cadif, Intesa Sanpaolo, Caixabank, La Banque Postale and Sabadell. They can be analysed as follows:

Applicable ratios	**Actual ratios at 31 Dec. 2022**	**Actual ratios at 31 Dec. 2021**	**Main acceleration clauses**
Loan-to-value (LTV) <= 50%	27.6%	22.0%	Default Termination of operations
Interest cover >= 2x	5.5	4.9	Bankruptcy proceedings
Secured LTV <= 20%	0.0%	0.0%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€8.8bn	€8.1bn	Material adverse event

The Group was not in breach of any of its financial covenants at 31 December 2022.

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

(in thousands of euros)	**2022**	**2021**
Interest on bank loans, bonds and commercial paper	(28,642)	(30,312)
Interest on external current account advances	-	(46)
Interest on hedging instruments	(252)	-
Other financial expenses	(6,325)	(3,668)
Capitalised interest expense	3,576	6,058
Finance costs and other financial expenses	**(31,643)**	**(27,968)**
Interest income	19	17
Financial income	**19**	**17**
Finance costs and other financial income and expenses, net	**(31,624)**	**(27,951)**

Capitalised interest expense corresponds to interest capitalised at the rate of 1.13% during the redevelopment of the Louvre Saint-Honoré and Biome 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.

Fair value of hedging instruments

At 31 December 2022, derivatives held by the Group for hedging purposes included:

- Counterparty: CIC. A 6-month 2% cap vs the 3-month Euribor on a notional amount of €100,000 thousand. Premium: €58 thousand. The cap came into effect on 14 September 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the cap had a positive fair value of €10 thousand (including the borrowing cost).

- Counterparty: CIC. 5-year interest rate swap on a notional amount of €100,000 thousand, whereby CIC pays the 3-month Euribor and SFL pays a fixed rate of 2.6250%. The swap into effect on 14 November 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €1,873 thousand (including the borrowing cost).

- Counterparty: Société Générale. 7-year interest rate swap on a notional amount of €100,000, whereby Société Générale pays the 3-month Euribor and SFL pays a fixed rate of 2.4920%. The swap came into effect on 6 December 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €3,200 thousand (including the borrowing cost).

- Counterparty: CIC. 7-year interest rate swap on a notional amount of €100,000, whereby CIC pays the 3-month Euribor and SFL pays a fixed rate of 2.4240%. The swap came into effect on 6 December 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €3,635 thousand (including the borrowing cost).

- Counterparty: Cadif. 7-year interest rate swap on a notional amount of €200,000, whereby Cadif pays the 3-month Euribor and SFL pays a fixed rate of 2.4925%. The swap came into effect on 6 December 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €6,396 thousand (including the borrowing cost).

At the beginning of the year, the Group held two hedging instruments that were unwound in conjunction with a debt issue, in exchange for a balancing payment. These were:

- 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.

The table below summarises the main characteristics and fair values of SFL's hedging instruments:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2022	31 Dec. 2021
Société Générale collar -0.11%/-0.60%	100,000	Apr. 2022[(1)]	-	1,671
CIC collar -0.25%/-0.52%	100,000	June 2022[(1)]	-	2,453
CIC cap at 2%	100,000	Mar. 2023	10	-
CIC swap at 2.6250%	100,000	Nov. 2027	1,873	-
Société Générale swap at 2.4920%	100,000	Dec. 2029	3,200	-
CIC swap at 2.4240%	100,000	Dec. 2029	3,635	-
Cadif swap at 2.4925%	200,000	Dec. 2029	6,396	-
Total			**15,114**	**4,124**

[(1)] Date on which the instrument was unwound.

Fair value adjustments to hedging instruments through other comprehensive income

The change in the cash flow hedging reserve corresponding to gains and losses accumulated in equity amounted to €24,103 thousand in 2022 (2021: €6,751 thousand).

(in thousands of euros)	2022	2021
Interest rate hedges	24,103	6,751
Total	24,103	6,751

The 2022 change includes fair value adjustments to hedging instruments issued during the period and changes in gains and losses maintained in equity in respect of unwound cash flow hedges.

Changes in the fair value of hedging instruments issued during the year can be analysed as follows:

(in thousands of euros)	Notional amount	Maturity	Premium paid on issue	Fair value adjustments	Fair value at 31 December 2022
CIC cap at 2%	100,000	Mar. 2023	58	(48)	10
CIC swap at 2.625%	100,000	Nov. 2027	-	1,873	1,873
Société Générale swap at 2.492%	100,000	Dec. 2029	-	3,200	3,200
CIC swap at 2.4240%	100,000	Dec. 2029	-	3,635	3,635
Cadif swap at 2.4925%	200,000	Dec. 2029	-	6,396	6,396
Total	600,000		58	15,056	15,114

The change in gains and losses maintained in equity in respect of unwound hedges breaks down as follows:

(in thousands of euros)	Date on which the instrument was unwound	Gains/losses accumulated in equity 31 Dec. 2021	Instrument balance during the period	Balancing payment received during the period	Gains/losses reclassified to profit for the period	Gains/losses accumulated in equity 31 Dec. 2022
CA-CIB Nov. 2021 swap at -0.3475%	Oct. 2021	975	-	-	(154)	821
CIC Nov. 2021 swap at -0.4525%	Oct. 2021	1,482	-	-	(234)	1,248
CIC collar -0.25% cap/-0.52% floor	Apr. 2022	1,671	(1,671)	8,645	(961)	7,684
Société Générale collar -0.11% cap/-0.60% floor	June 2022	2,453	(2,453)	6,650	(776)	5,874
Total		6,581	(4,124)	15,295	(2,124)	15,628

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

(in thousands of euros)	2022	2021
Debt retirement costs	-	(2,200)
Total	-	(2,200)

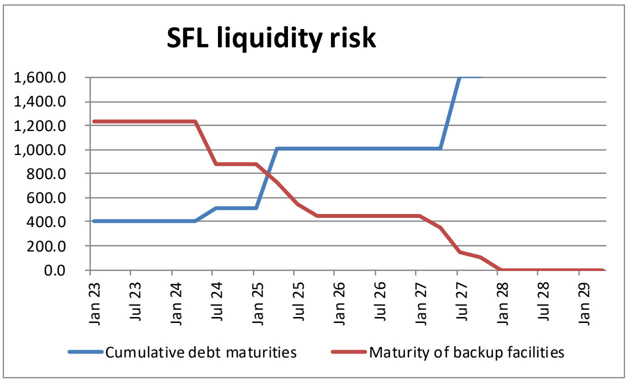
In 2021, debt retirement costs consisted of early repayment charges on Parholding's mortgage loan.

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 2022, SFL had access to confirmed undrawn lines of credit in the amount of €1,240 million, compared with €1,140 million at 31 December 2021. 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. 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.

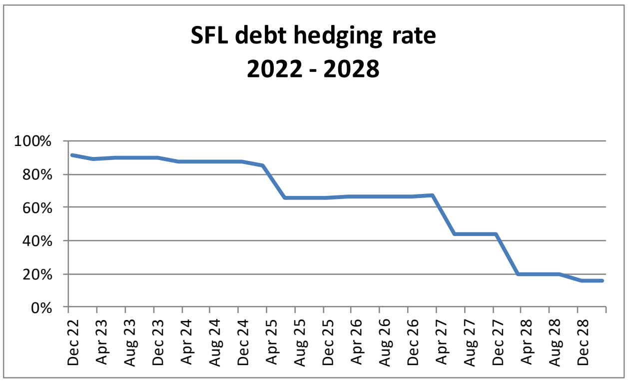
3 - Market risk

The Group did not have any exposure to currency risk at 31 December 2022. 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 2022, 92% 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 1.66% at 31 December 2022, versus 1.23% at 31 December 2021.

A 25-basis point rise in interest rates across the yield curve would have had the effect of increasing the average cost of debt to 1.69%, driving up finance costs by €752 thousand or 2.38%. A 25-basis point decline in interest rates across the yield curve would have had the effect of decreasing the average cost of debt to 1.63%, reducing finance costs by €752 thousand or 2.38%.

A 25-basis point increase in interest rates would have had the effect of increasing the fair value of hedging instruments by €6,784 thousand at 31 December 2022, while a 25-basis point decrease would have had the effect of reducing their fair value by €6,911 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 2022.

(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)	409,000	-	-	-	-	-	409,000
Total floating rate debt	**409,000**	**-**	**-**	**-**	**-**	**-**	**409,000**

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 2022 was €1,470,152 thousand, as follows:

(in thousands of euros)	Notional amount	Maturity	31 Dec. 2022	31 Dec. 2021
November 2015 bonds	289,600	Nov. 2022	-	294,219
May 2018 bonds	500,000	May 2025	465,180	521,590
June 2020 bonds (+ May 2022 tap)	599,000	June 2027	523,232	526,975
Oct. 2021 bonds (+ April 2022 tap)	599,000	April 2028	481,740	494,070
Total			**1,470,152**	**1,836,854**

VII - 5) Financial assets

Accounting policy

Financial assets consist mainly of 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 VII - 3.

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021
Deposits	234	222
Interest rate hedges	15,104	4,124
Total non-current financial assets	**15,338**	**4,346**
Interest rate hedges	10	-
Other	3	-
Total current financial assets	**13**	**-**

Cash flow hedges with a positive fair value of €4,124 thousand at 31 December 2021 were unwound during the year and replaced by new cash flow hedges with a positive fair value of €15,114 thousand at 31 December 2022 (see Note VII - 3).

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. 2022	31 Dec. 2021
Cash and cash equivalents	69,433	114,881
Total	69,433	114,881

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 2022 amounted to €85,729 thousand, represented by 42,864,715 ordinary shares with a par value of €2.
There were no changes in the share capital (amount and number of shares) during the year.

VIII - 2) Treasury shares

Accounting policy

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

	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
Number of treasury shares	114,163	10,884	(73,332)	51,715
Average purchase/sale price, in euros	€79.19	€83.86	€75.06	€86.01
Total (in thousands of euros)	9,040	913	(5,505)	4,448

VIII - 3) Dividends

(in thousands of euros)	2022		2021	
	Total payout	Per share	Total payout	Per share
Dividends paid out during the period	179,828	€4.20	97,476	€2.10
Total	179,828	€4.20	97,476	€2.10

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)	2022	2021
Profit used to calculate basic earnings per share	143,430	292,041
Average number of ordinary shares	42,864,715	45,002,199
Average number of treasury shares	(65,802)	(128,619)
Average number of ordinary shares excluding treasury shares	**42,798,913**	**44,873,580**
Basic earnings per share	**€3.35**	**€6.51**
Profit used to calculate basic earnings per share	143,430	292,041
Average number of ordinary shares	42,864,715	45,002,199
Average number of treasury shares	(65,802)	(128,619)
Average potential ordinary shares corresponding to dilutive instruments	102,999	102,099
Diluted weighted average number of ordinary shares excluding treasury shares	**42,901,912**	**44,975,679**
Diluted earnings per share	**€3.34**	**€6.49**

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

There were no changes in ownership interests during the period.

In the second half of 2021, the Group entered into an asset swap with its minority shareholder Predica, whereby SFL acquired all the minority interests in SCI Washington (34%) and SAS Parholding (50%), and sold its 49% minority interests in SCI Paul Cézanne, SCI 103 Grenelle, SAS 92 Champs-Elysées and SAS Cloud.

VIII - 6) Non-controlling interests in profit

Non-controlling interests in 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 2022
Rental income	-	-	7,443	5,173	5,562	9,617	27,796
Fair value adjustments to investment property	-	-	3,225	4,048	(10,532)	14,864	11,604
Finance costs and other financial income and expense	-	-	(11)	(12)	(16)	(29)	(68)
Other	-	-	(16)	(28)	(220)	(882)	(1,146)
Total	**-**	**-**	**10,641**	**9,182**	**(5,206)**	**23,570**	**38,186**

The 2021 breakdown was 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**

VIII - 7) First-time consolidation

Accounting policy

When acquiring an entity, the Group determines whether the entity should be analysed as a 'business' within the meaning of IFRS 3. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the entity is not a business. The transaction does not therefore meet the definition of a business combination and acquisition accounting is not applicable.

In this case, the acquisition cost of the asset or group of assets is allocated to the identifiable assets and liabilities acquired (no goodwill is recognised). There are two possible methods for this allocation. The one chosen by the Group consists of two steps:
1- Assets and liabilities that are not measured at cost are measured in accordance with the applicable IFRSs.
2- The residual unallocated acquisition cost is then allocated to the assets and liabilities measured at cost in proportion to their respective fair values.

In some cases, transaction costs may be included in the initial measurement of the acquired asset or group of assets. This is particularly the case for investment property accounted for in accordance with IAS 40.

On 25 April 2022, SFL acquired all of SCI Pasteur 123's equity from Primonial REIM for €282 million. Based on its analysis of the transaction, the Group concluded that it consisted of an asset acquisition (not a business acquisition), as the investment property held in the balance sheet of the acquired company is a single identifiable asset representing approximately 95% of the company's acquisition-date gross asset value.

The allocation of the acquisition cost to the identifiable assets acquired and liabilities assumed is presented below.

(in thousands of euros)	Amount
Acquisition cost	
Price of the shares	282,175
Transaction costs	14,885
Total acquisition cost of the acquired entity	**297,060**
Acquired identifiable assets not measured at cost	
Financial assets	17
Other assets	11,167
Value of acquired assets measured according to the applicable standards	**11,184**
Assumed identifiable liabilities not measured at cost	
Borrowings and other interest-bearing debt	185,274
Short-term provisions	2,293
Other liabilities	11,702
Value of assumed identifiable liabilities measured according to the applicable standards	**199,269**
Residual unallocated acquisition cost	**485,145**
Identifiable assets measured at cost	
Investment property	485,145
Value of acquired identifiable assets measured at cost	**485,145**

Other assets correspond mainly to trade receivables and cash acquired during the transaction.

Short-term borrowings and other interest-bearing debt correspond to debt carried in the balance sheet of SCI Pasteur 123 prior to the acquisition that was settled immediately post-acquisition using a current account advance granted by the Group to the company. This amount therefore represents an intra-group debt (eliminated in consolidation) in the accounts at 31 December 2022.

Other liabilities correspond mainly to deposits and bonds received.

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. 2021	Acquisitions	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	31 Dec. 2022
Provisions for employee benefits	1,844	-	1,194	(6)	*(6)*	(383)	(1,114)	1,535
Long-term provisions	**1,844**	**-**	**1,194**	**(6)**	***(6)***	**(383)**	**(1,114)**	**1,535**
Provisions for refurbishment work and tenant claims	-	2,293	-	(2,293)	*(2,293)*	-	-	-
Provisions for employee benefits	960	-	-	(960)	*(960)*	-	1,114	1,114
Other provisions	-	-	152	-	-	-	-	152
Short-term provisions	**960**	**2,293**	**152**	**(3,253)**	***(3,253)***	**-**	**1,114**	**1,266**
Total	**2,804**	**2,293**	**1,346**	**(3,259)**	***(3,259)***	**(383)**	**-**	**2,801**

The provision for refurbishment work concerns repairs to the SCI Pasteur 123 building following an insured event.

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,036 thousand. See Note X - 2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €21.6 thousand at 31 December 2022 and €72.7 thousand at 31 December 2021.

IX - 2) Net change in provisions and impairment

(in thousands of euros)	2022	2021
Charges to provisions for impairment of current assets	(493)	(867)
Charges to provisions for operating contingencies and charges	(1,268)	(1,065)
Charges to provisions for other contingencies and charges	(78)	(116)
Total charges	**(1,838)**	**(2,048)**
Reversals of provisions for impairment of current assets	802	225
Reversals of provisions for other contingencies and charges	-	57
Total reversals	**802**	**282**
Total	**(1,037)**	**(1,766)**

X - Remuneration and Other Employee Benefits

X - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	2022	2021
Wages and salaries	(8,767)	(6,758)
Payroll taxes	(4,090)	(4,803)
Other employee benefits	(4,361)	(3,853)
Statutory and discretionary profit-sharing	(1,165)	(7,325)
Total	**(18,383)**	**(22,739)**

The average number of administrative staff breaks down as follows:

	2022	2021
Officers	2	2
Managers	55	56
Supervisors	14	13
Administrative and technical staff	-	-
Total	**71**	**71**

The Group also had two building caretakers at 31 December 2022 and 2021.

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.

Long-term employee benefits are allocated to the periods of service in which the obligation arises, in accordance with the 2021 IFRIC decision on this subject.

(in thousands of euros)	2022	2021
Projected benefit obligation at beginning of period	**1,346**	**1,215**
Benefits paid during the period	(6)	(20)
Service cost	68	113
Interest cost	10	3
Actuarial gains and losses	(383)	36
Projected benefit obligation at end of period	**1,036**	**1,346**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including, at 30 June 2022, a discount rate of 3.12% (31 December 2021: 0.78%) and a 2.50% rate of future salary increases (unchanged from 31 December 2021). Actuarial gains and losses are recognised in equity.
A 25-bps reduction in the discount rate at 31 December 2022 would lead to a €19.9 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 2022

	Plan no. 5	Plan no. 5	Plan no. 6
Date of shareholder authorisation	20 April 2018	20 April 2018	19 Nov. 2021
Grant date (date of Board meeting)	6 Feb. 2020	11 Feb. 2021	18 Feb. 2022
Initial target number of shares	34,476	33,460	30,624
Initial expected vesting rate	100.00%	100.00%	100.00%
Initial number of shares expected to vest	34,476	33,460	30,624
Fair value per share	€65.38	€54.59	€73.37
Rights cancelled/forfeited	(596)	(468)	(128)
Expected vesting rate at end of period	200.00%	100.00%	100.00%
Number of shares expected to vest at end of period	**67,760**	**32,992**	**30,496**

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 2022, the rates applied were 200% for the 2020 plan (probable ranking: no. 1) and 100% for the 2021 and 2022 plans (probable ranking: no. 3).

In 2022, a total of 64,992 performance shares vested under 2019 Plan no. 5.

The cost of performance share plans recognised during the year amounted to €4,301 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)	2022	2021
Short-term benefits, excluding payroll taxes(1)	4,703	2,730
Payroll taxes on short-term benefits	2,784	2,093
Share-based payments(2)	1,768	1,754
Directors' fees	321	800
Total	**9,576**	**7,377**

(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 2022 amounted to €3,886 thousand (2021: €3,851 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.

(in thousands of euros)	**31 Dec. 2021**	**Reclassifications**	**Equity**	**Income statement**	**31 Dec. 2022**
Fair value adjustments to investment property	(175,078)	-	-	9,005	(166,073)
Adjustment of depreciation and amortisation	(30,502)	-	-	(1,449)	(31,950)
Adjustment of rental income	(3,339)	-	-	(186)	(3,525)
Capitalisation of interest expense and transaction costs	(521)	-	-	-	(521)
Other	(1,225)	-	-	(199)	(1,426)
Net	**(210,666)**	**-**	**-**	**7,171**	**(203,495)**
Of which deferred tax assets	-	-	-	-	-
Of which deferred tax liabilities	(210,666)	-	-	7,171	(203,495)

XI - 3) Consolidated tax proof

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021
Profit after income tax	181,616	362,046
Income tax benefit	3,285	2,750
Profit before income tax	178,331	359,296
Corporate income tax rate applicable in France	25.83%	27.37%
Theoretical income tax expense	**(46,054)**	**(98,356)**
Impact of differences in tax rates	45	(467)
Impact of permanent differences	(928)	(2,064)
Impact of unrecognised tax losses	(1,995)	(940)
Impact of unrecognised deferred tax assets	(715)	(1,456)
Effects of tax credits	80	49
Effects of the SIIC regime	52,847	105,980
Other	4	4
Actual income tax benefit	**3,285**	**2,750**
Effective tax rate	-1.84%	-0.77%

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	-	-
Total commitments given	**110**	**110**	**-**	**-**
Commitments received				
Guarantees received from tenants (including first demand guarantees)	120,067	71,604	23,929	24,534
Guarantees received from suppliers	41,352	41,352	-	-
Total commitments received	**161,419**	**112,956**	**23,929**	**24,534**

Contractual redevelopment and renovation obligations

At 31 December 2022, the Group's contractual commitments relating to investment properties undergoing renovation totalled €53,349 thousand (€98,356 thousand at 31 December 2021), of which €19,787 thousand concerned the Louvre Saint-Honoré property.

XII - 2) Off-balance sheet financing commitments

At 31 December 2022, 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	200,000	-	200,000	-
Caixabank	100,000	-	100,000	-
Banco Sabadell	50,000	-	50,000	-
Cadif	175,000	-	175,000	-
Société Générale	100,000	-	100,000	-
BNP Paribas 2019	290,000	-	290,000	-
Banque Postale	75,000	-	75,000	-
Intesa Sanpaolo	100,000	-	100,000	-
BNP Paribas 2020	150,000	-	150,000	-
Total	**1,240,000**	**-**	**1,240,000**	**-**

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

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 2022, total commitments for the payment of compensation amounted to €1,379 thousand (€2,710 thousand at 31 December 2021).

The terms and conditions related to this compensation were approved by SFL's Board of Directors on 15 June 2022. 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)	2022	2021
Acquisitions of and improvements to investment property		
Acquisitions	(475,470)	-
Work	(106,634)	(129,378)
Total	**(582,104)**	**(129,378)**
Cash and cash equivalents at end of period		
Cash at bank and in hand	69,433	114,881
Total	**69,433**	**114,881**

XIII - 2) Changes in liabilities related to financing activities

Changes in liabilities related to financing activities are as follows:

(in thousands of euros)	31 Dec. 2021	Cash flows			Non-cash changes			31 Dec. 2022
		Proceeds from new borrowings	Repayments of borrowings	Interest paid[1]	Deferred recognition of debt arranging fees	Fair value adjustments	Other	
Borrowings (excluding accrued interest)	1,774,894	1,285,539	(999,603)	-	5,919	-	-	2,066,749
Accrued interest on borrowings and derivatives	10,088	-	-	2,649	-	-	-	12,737
NEU Commercial Paper	117,000	2,084,000	(1,792,000)	-	-	-	-	409,000
Bank overdrafts (including interest)	16	-	-	(10)	-	-	-	6
Total	**1,901,998**	**3,369,539**	**(2,791,603)**	**2,639**	**5,919**	**-**	**-**	**2,488,491**

[1] *This amount represents the impact of the change in accrued interest in calculating paid interest and not the actual interest payments.*

XIV - Scope of Consolidation

The table below summarises the main information concerning the scope of consolidation at 31 December 2022:

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
SCI Pasteur 123	789 738 556	100	100

SCI Pasteur 123 has been included in the scope of consolidation with effect from 25 April 2022. It is 100%-owned by the Group.

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 2022. The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.