INTERIM FINANCIAL REPORT

Six months ended 30 June 2023

OVERVIEW

1. INTERIM MANAGEMENT REPORT

Board of Directors

There have been no changes in the membership of the Board of Directors since 7 April 2022.

As of 30 June 2023, the membership of the Board of Directors of SFL was as follows:

Chairman:
- Pere Viñolas Serra

Directors:
- Ali Bin Jassim Al Thani
- Juan José Brugera Clavero
- Carmina Ganyet i Cirera
- Arielle Malard de Rothschild
- Alexandra Rocca

Senior Management

Since 1 July 2022, SFL's senior management team has comprised:
- Dimitri Boulte, Chief Executive Officer
- Aude Grant, Managing Director

SFL - First-Half 2023 Results

The interim consolidated financial statements for the six months ended 30 June 2023 were approved by the Board of Directors of Société Foncière Lyonnaise on 20 July 2023, at its meeting chaired by Pere Viňolas Serra.

The financial statements show strong growth in adjusted operating profit, resilient EPRA earnings and a record occupancy rate of 99.7%, attesting to the attractiveness of prime Paris office properties and the quality of SFL's business model.

Consolidated data (€ millions)

	H1 2023	H1 2022	**Change**
Rental income	111.4	98.0	+13.7%
Adjusted operating profit*	97.2	78.1	+24.6%
Attributable net profit/(loss)	(177.5)	221.5	
EPRA earnings	53.2	48.9	+8.8%
per share	€1.24	€1.14	+8.8%

** Operating profit before disposal gains and losses and fair value adjustments*

	30/06/2023	31/12/2022	**Change**
Attributable equity	4,020	4,379	-8.2%
Consolidated portfolio value excluding transfer costs	7,909	8,246	-4.1%
Consolidated portfolio value including transfer costs	8,449	8,823	-4.2%
EPRA NTA	4,233	4,603	-8.0%
per share	€98.7	€107.4	-8.1%
EPRA NDV	4,225	4,644	-9.0%
per share	€98.5	€108.3	-9.1%

I. Strong revenue growth despite an uncertain environment

❖ Rental income up 10.1% like-for-like

Consolidated rental income rose by a strong €13.4 million (up 13.7%) to €111.4 million for first-half 2023 from €98.0 million for the same period of 2022.

- On a like-for-like basis (revenue-generating properties, excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €8.4 million higher (up 10.1%). Application of rent escalation clauses contributed €3.9 million to the increase. However, the main growth driver was the improved occupancy rate for revenue-generating properties, following the signature of new leases in 2022 and 2023 (with long-standing tenants or new clients such as Balenciaga, Promontoria, Atalante, Ovelo and Infravia), leading to significant increases in rental income from the Edouard VII, Washington Plaza and 103 Grenelle buildings in particular.

- Rental income from spaces being redeveloped rose by a net €0.4 million, reflecting:
  - An increase of €9.0 million, due in particular to (i) the contribution over the entire first half of revenues from the Biome building (delivered in July 2022 following its complete restructuring and fully let from the end of 2022 to La Banque Postale and SFIL), and (ii) new leases signed on several floors renovated in 2022 and/or 2023, mainly in the Cézanne Saint-Honoré building (Wendel, LRT, Lincoln International and Patrick Jouin).
  - A decrease of €8.6 million, with part of the retail space in the Galerie des Champs-Elysées (former H&M store) vacated during 2022, and the Scope building (formerly Rives de Seine) previously let to Natixis vacated at the end of September 2022.

- Lastly, the acquisition of the Pasteur building in April 2022 generated a significant increase in rental income, partly reduced by the impact of Pretty Simple's October 2022 departure from the 6 Hanovre building, which was sold in April 2023. Together, these movements had a positive net impact on rental income of €4.6 million.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €97.2 million in first-half 2023 versus €78.1 million in the year-earlier period, a sharp 24.6% increase.

❖ Very resilient portfolio appraisal values despite the uncertain environment and higher interest rates

The portfolio's appraisal value at 30 June 2023 was down 3.4% like-for-like compared to 31 December 2022, leading to negative fair value adjustments to investment property of €327.8 million in first-half 2023. In first-half 2022, fair value adjustments represented a positive amount of €205.4 million.

The higher capitalisation rates (35 bps on average) and discount rates (40 bps on average) were partly offset by the visible effects of rent escalation clauses and rising rental values in Paris for the best assets.

❖ **Net profit/(loss)**

Net finance costs stood at €26.1 million in first-half 2023, versus €13.8 million in the same period of 2022, representing an increase of €12.3 million. Excluding non-recurring items, the increase was €11.7 million, reflecting the impact on recurring finance costs of higher interest rates and the increase in average debt.

After taking account of these key items, EPRA earnings totalled €53.2 million in first-half 2023, compared to €48.9 million in the same period of 2022.
EPRA earnings per share stood at €1.24 in first-half 2023, up 8.8% from €1.14 in the same period of 2022.
The Group ended the period with an attributable net loss of €177.5 million, versus a profit of €221.5 million in first-half 2022.

II. Occupancy rate at a record high 99.7%

First-half 2023 was a period of sustained letting activity, with new leases signed with existing tenants as well as new tenants leading to a record 99.7% physical occupancy rate.

After a year shaped by a deteriorating geopolitical and economic situation, in first-half 2023 the Paris office rental market became more selective, with prime assets and those in the best locations being the most in demand. In this environment, the Group signed leases on some 29,000 sq.m. of mainly office space during the period. Lease deals mainly concerned:

- 131 Wagram, with the TV5 Monde lease on 7,200 sq.m. of office space rolled over for 12 years;
- #cloud.paris, with a new lease signed with a luxury goods company on 9,500 sq.m. of office space;
- Edouard VII, with two new leases signed on a total of 7,225 sq.m. of office space, mainly consisting of the partial rollover of an existing lease with Klépierre;
- office space in the Washington Plaza, Cézanne Saint-Honoré and 103 Grenelle properties, and
- around 850 sq.m. of retail units.

The average nominal rent for the new office leases increased sharply to €835 per sq.m., corresponding to an effective rent of €692 per sq.m., for an average non-cancellable period of 8.6 years. These lease terms attest to the attractiveness of the Group’s properties.

The physical occupancy rate for revenue-generating properties at 30 June 2023 was a record 99.7% (compared with 99.5% at 31 December 2022). The EPRA vacancy rate was 0.4% (versus 0.6% at 31 December 2022).

III. A pipeline focused mainly on two major projects representing a very low risk

Properties undergoing redevelopment at 30 June 2023 represented 14% of the total portfolio. Of the total surface area undergoing redevelopment, around 83% concerned two major projects:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in the second half of 2023 under a turnkey lease on over 20,000 sq.m. signed with the Richemont group (Cartier). Work on the project was pursued during the period according to schedule.

- The Scope (formerly 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 was issued in June 2023 and site clearance/asbestos removal work has begun, with delivery planned for 2026.

Capitalised work carried out in first-half 2023 amounted to €28.5 million, including the above projects for a total of €14.5 million and large-scale renovation of the shell of the Galerie des Champs-Elysées and complete floors in the Washington Plaza building.

IV. Purchases/sales – continued strategic refocusing on Paris

On 11 April 2023, SFL sold the 6 rue de Hanovre building in Paris (2nd *arrondissement*) to the GCI/Eternam joint venture for a net selling price of €58.3 million. The building's tenant moved out in October 2022 and the 4,600 sq.m. complex was sold untenanted in its condition on the transaction date.

V. Disciplined financing strategy with a strong environmental focus

Against a backdrop of steadily rising interest rates, during first-half 2023 the Group obtained an €835 million revolving credit facility from a pool of ten leading international banks. The facility includes a margin adjustment mechanism based on the achievement of three ambitious targets concerning carbon emissions reduction, environmental certification of assets and Global Real Estate Sustainability Benchmark (GRESB) rating.
The five-year facility (with two 1-year extension options) will be used to refinance existing facilities and partially cancel credit lines expiring in 2025 and 2027. It will strengthen SFL's liquidity position, while also extending the average maturity of debt as part of the Group's proactive balance sheet management strategy.

Net debt at 30 June 2023 amounted to €2,582 million compared with €2,438 million at 31 December 2022, representing a loan-to-value ratio of 30.6%. The average cost of debt after hedging was 1.9% at 30 June 2023 and the average maturity was 4.0 years. At 30 June 2023, the interest coverage ratio stood at 3.8x.

Lastly, at 30 June 2023, the Group had access to €1,600 million in undrawn confirmed lines of credit.

VI. Net asset value: EPRA NDV per share down 9.1% at €98.5 after payment of an exceptional dividend of €4.20 in April 2023

The portfolio's consolidated appraisal value at 30 June 2023 was €7,909 million excluding transfer costs, down 4.1% from €8,246 million at 31 December 2022. The like-for-like change was a decrease of 3.4%.

The average EPRA topped-up Net Initial Yield (NIY) was 3.4% at 30 June 2023, up from 3.1% at 31 December 2022.

At 30 June 2023, EPRA Net Tangible Assets (NTA) stood at €98.7 per share (€4,233 million in total, a decline of 8.1% over the first half of the year) and EPRA Net Disposal Value (NDV) was €98.5 per share (€4,225 million in total, down 9.1% over the period), after payment of an exceptional dividend of €4.20 in April 2023.

VII. EPRA indicators

	H1 2023	H1 2022
EPRA Earnings (€m)	**53.2**	48.9
/share	*€1.24*	*€1.14*
EPRA Cost Ratio (including vacancy costs)	13.7%	17.9%
EPRA Cost Ratio (excluding vacancy costs)	12.7%	16.8%

	30/06/2023	31/12/2022
EPRA NRV (€m)	**4,703**	5,104
/share	*€109.7*	*€119.1*
EPRA NTA* (€m)	**4,233**	4,603
/share	*€98.7*	*€107.4*
EPRA NDV (€m)	**4,225**	4,644
/share	*€98.5*	*€108.3*
EPRA Net Initial Yield (NIY)	2.2%	2.4%
EPRA topped-up NIY	3.4%	3.1%
EPRA Vacancy Rate	0.4%	0.6%

** Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).*

	30/06/2023	31/12/2022
LTV *100%, including transfer costs*	**30.6%**	27.6%
EPRA LTV (including transfer costs)		
100%	31.8%	29.2%
Attributable to the SFL Group	36.7%	33.8%
EPRA LTV (excluding transfer costs)		
100%	34.0%	31.2%
Attributable to the SFL Group	39.1%	36.1%

Alternative Performance Indicators (APIs)

EPRA Earnings API

€ millions	**H1 2023**	H1 2022
Attributable net profit	**(177.5)**	221.5
Less:		
Fair value adjustments to investment property	327.8	(205.4)
Profit on asset disposals	0.2	0.4
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.6	0.1
Tax on the above items	(12.0)	(0.7)
Non-controlling interests in the above items	(85.9)	33.0
EPRA earnings	**53.2**	48.9
Average number of shares (thousands)	*42,879*	*42,865*
EPRA earnings per share	**€1.24**	€1.14

EPRA NRV/NTA/NDV APIs

€ millions	30/06/2023	31/12/2022
Attributable equity	**4,020**	4,379
Treasury shares	0	2
Fair value adjustments to owner-occupied property	36	35
Unrealised capital gains on intangible assets	4	4
Elimination of financial instruments at fair value	(13)	(15)
Elimination of deferred taxes	193	203
Transfer costs	464	496
EPRA NRV (Net Reinstatement Value)	**4,703**	5,104
Elimination of intangible assets	(2)	(2)
Elimination of unrealised gains on intangible assets	(4)	(4)
Elimination of transfer costs*	(464)	(496)
EPRA NTA (Net Tangible Assets)	**4,233**	4,603
Intangible assets	2	2
Financial instruments at fair value	13	15
Fixed-rate debt at fair value	169	228
Deferred taxes	(193)	(203)
EPRA NDV (Net Disposal Value)	**4,225**	4,644

** Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).*

Net debt API

€ millions	30/06/2023	31/12/2022
Long-term borrowings and derivative instruments	1,975	2,074
Short-term borrowings and other interest-bearing debt	636	415
Debt in the consolidated statement of financial position	**2,611**	2,488
Less:		
Accrued interest and deferred recognition of debt arranging fees	28	19
Cash and cash equivalents	(57)	(69)
Net debt	**2,582**	2,438

2. Risk Factors

The main risks and uncertainties that SFL and its subsidiaries may face in the second half of 2023 are set out in section 6 “Risk Factors” on pages 16 to 29 of the 2022 Universal Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers* - AMF) on 20 March 2023 under number D. 23-0118 (the “2022 Universal Registration Document”).

The 2022 Universal Registration Document is available on the Company’s website: sfl-deu-2022-va.pdf (fonciere-lyonnaise.com).

These risk factors have not changed and remain applicable at the date of this report.

The risk factors identified and their ratings are listed below.

RISK MAP

Probability
Very low → Low → Average → High → Very high

Effect
Not material → Minor → Moderate → Major → Critical

Risk Factors		Effect	Probability
A – Macroeconomic risks			
1 -	Risk of a change in the economic environment and the office property market	Critical	Very high
2 -	Risk of a global economic and/or health crisis	Moderate	High
B – Risks specific to the property business			
3 -	Asset valuation risks	Major	Very high
4 -	Strategic risks	Moderate	Very high
5 -	Tenant risks	Moderate	Average
6 -	Asset obsolescence and impairment risk	Moderate	Average
7 -	Property utilisation and development risks	Moderate	Average
C – Financial risks			
8 -	Interest rate risk	Major	Very high
9 -	Liquidity risk	Moderate	High
10 -	Counterparty risk	Not material	Very low
D – Environmental, social and governance risks			
11 -	Environmental risks	Major	High
12 -	Social risks	Minor	Low
13 -	Governance risks	Minor	Very low
E – Legal and tax risks			
14 -	Legal and tax risks related to regulatory compliance	Moderate	Low
F – Technological risks			
15 -	Information system and data protection risks	Moderate	Low

Investors should nevertheless note that the risks and uncertainties described in the Universal Registration Document do not necessarily include all the risks and uncertainties facing the Group.

First, the Company is exposed to general risks that are common to all businesses and not specific to SFL. Added to that, other unknown risks or uncertainties, or risks or uncertainties whose occurrence is not considered, at the date of this report, as likely to have a material adverse effect on the Company, its business, financial position, results or outlook, may exist or could become significant factors that may have a material adverse effect on the Company, its business, financial position, results or outlook.

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL STATEMENTS

The interim consolidated financial statements were approved for publication by the Board of Directors on 20 July 2023.

A – Consolidated Statement of Financial Position

(in thousands of euros) ASSETS	Notes Section E	30 June 2023	31 Dec. 2022
Intangible assets	V - 1	1,983	1,862
Property and equipment	V - 2	21,154	19,173
Investment property	V - 4	7,755,130	8,051,948
Non-current financial assets	VII - 5	13,055	15,338
Other non-current assets	VI - 4	87,817	71,060
Total non-current assets		**7,879,139**	**8,159,380**
Investment property held for sale	V - 6	-	57,100
Trade and other receivables	VI - 3	42,910	41,222
Current financial assets	VII - 5	373	13
Other current assets	VI - 4	7,025	846
Cash and cash equivalents	VII - 6	56,804	69,433
Total current assets		**107,112**	**168,614**
Total Assets		**7,986,251**	**8,327,995**

(in thousands of euros) EQUITY AND LIABILITIES	Notes Section E	30 June 2023	31 Dec. 2022
Share capital	VIII - 1	85,771	85,729
Reserves		4,111,355	4,149,844
Profit/(loss) for the period		(177,474)	143,430
Equity attributable to owners of the parent		**4,019,652**	**4,379,003**
Non-controlling interests		1,020,553	1,097,432
Total non-controlling interests		**1,020,553**	**1,097,432**
Total equity		**5,040,205**	**5,476,435**
Long-term borrowings and derivative instruments	VII - 1	1,974,518	2,073,914
Long-term provisions	IX - 1	1,160	1,535
Deferred tax liabilities	XI - 2	192,491	203,495
Other non-current liabilities	VI - 6	46,228	44,282
Total non-current liabilities		**2,214,397**	**2,323,226**
Trade and other payables	VI - 5	31,185	47,052
Short-term borrowings and other interest-bearing debt	VII - 1	636,059	414,577
Short-term provisions	IX - 1	528	1,266
Other current liabilities	VI - 6	63,878	65,438
Total current liabilities		**731,649**	**528,333**
Total equity and liabilities		**7,986,251**	**8,327,995**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2023	First-half 2022
Rental income		**111,351**	**97,971**
Gross property expenses		(26,592)	(21,409)
Property expenses recovered from tenants		20,263	15,853
Property expenses, net of recoveries		(6,329)	(5,557)
Net property rentals	**VI - 1**	**105,023**	**92,414**
Other income	VI - 2	5,019	2,608
Depreciation, amortisation and impairment	V - 3	(685)	(1,398)
Provision expense, net	IX - 2	(267)	(211)
Employee benefits expense	X - 1	(7,823)	(10,665)
Other expenses	VI - 7	(4,027)	(4,684)
Profit/(loss) on disposal of investment property	V - 5	(158)	(420)
Fair value adjustments to investment property	V - 4	(327,757)	205,433
Operating profit/(loss)		**(230,677)**	**283,076**
Finance costs and other financial expenses	VII - 2	(26,452)	(13,801)
Financial income	VII - 2	368	7
Profit/(loss) before income tax		**(256,761)**	**269,281**
Income tax benefit/(expense)	XI - 1-2	9,758	(2,616)
Profit/(loss) for the period		**(247,003)**	**266,665**
Attributable to owners of the parent		**(177,474)**	**221,514**
Attributable to non-controlling interests	VIII - 6	**(69,528)**	**45,151**
Earnings per share	VIII - 4	€(4.14)	€5.18
Diluted earnings per share	VIII - 4	€(4.14)	€5.17
Other comprehensive income			
Actuarial gains and losses	IX - 1	151	461
Items that will not be reclassified to profit or loss		***151***	***461***
Valuation gains and losses on financial instruments (cash flow hedges)	VII - 3	(3,725)	10,626
Items that may be reclassified subsequently to profit or loss		***(3,725)***	***10,626***
Other comprehensive income/(expense)		**(3,575)**	**11,087**
Comprehensive income/(expense)		**(250,577)**	**277,752**
Attributable to owners of the parent		**(181,049)**	**232,601**
Attributable to non-controlling interests	VIII - 6	(69,528)	45,151

C – Consolidated Statement of Changes in Equity

(in thousands of euros)	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedging reserve	Other reserves	Profit/(loss) for the period	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	**Total equity**
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/(loss) for the period	-	-	-	-	-	-	221,514	221,514	45,151	266,665
Other comprehensive income, net of tax	-	-	-	-	10,626	461	-	11,087	-	11,087
Comprehensive income	**-**	**-**	**-**	**-**	**10,626**	**461**	**221,514**	**232,601**	**45,151**	**277,752**
Appropriation of profit/(loss)			-	-	-	292,041	(292,041)	-	-	-
Treasury share transactions	-	-	-	4,769	-	-	-	4,769	-	4,769
Gains and losses on sales of treasury shares	-	-	-	(4,798)	-	-	-	(4,798)	-	(4,798)
Share-based payments	-	-	-	-	-	1,998	-	1,998	-	1,998
Dividends paid to owners of the parent	-	-	-	-	-	(179,828)	-	(179,828)	(37,931)	(217,759)
Equity at 30 June 2022	**85,729**	**160,003**	**22,621**	**(18,139)**	**17,207**	**3,952,632**	**221,514**	**4,441,564**	**1,104,397**	**5,545,961**
Profit/(loss) for the period	-	-	-	-	-	-	(78,084)	(78,084)	(6,965)	(85,049)
Other comprehensive income, net of tax	-	-	-	-	13,477	(78)	-	13,399	-	13,399
Comprehensive income	**-**	**-**	**-**	**-**	**13,477**	**(78)**	**(78,084)**	**(64,685)**	**(6,965)**	**(71,650)**
Appropriation of profit/(loss)			-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	(177)	-	-	-	(177)	-	(177)
Gains and losses on sales of treasury shares	-	-	-	(2)	-	-	-	(2)	-	(2)
Share-based payments	-	-	-	-	-	2,303	-	2,303	-	2,303
Dividends paid to owners of the parent	-	-	-	-	-	-	-	-	-	-
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**
Profit/(loss) for the period	-	-	-	-	-	-	(177,474)	(177,474)	(69,528)	(247,002)
Other comprehensive income, net of tax	-	-	-	-	(3,725)	151	-	(3,575)	-	(3,575)
Comprehensive income	**-**	**-**	**-**	**-**	**(3,725)**	**151**	**(177,474)**	**(181,049)**	**(69,528)**	**(250,577)**
Appropriation of profit/(loss)			-	-	-	143,430	(143,430)	-	-	-
Share issues	42	(42)				-				
Treasury share transactions	-	-	-	3,742	-	-	-	3,742	-	3,742
Gains and losses on sales of treasury shares	-	-	-	(3,699)	-	-	-	(3,699)	-	(3,699)
Share-based payments	-	-	-	-	-	1,755	-	1,755	-	1,755
Dividends paid to owners of the parent	-	-	-	-	-	(180,100)	-	(180,100)	(7,351)	(187,451)
Equity at 30 June 2023	**85,771**	**159,961**	**22,621**	**(18,275)**	**26,959**	**3,920,093**	**(177,474)**	**4,019,652**	**1,020,553**	**5,040,205**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2023	First-half 2022
Cash flows from operating activities			
Profit/(loss) for the period attributable to owners of the parent		(177,474)	221,514
Fair value adjustments to investment property	V - 4	327,757	(205,433)
Depreciation and amortisation expense (excluding impairment)	V - 3	685	1,398
Net additions to/(reversals of) provisions	IX - 1	(964)	(717)
Net (gains)/losses from disposals of investment property	V - 6	158	420
Deferral of rent-free periods and key money	VI - 1	(16,810)	(10,179)
Employee benefits	X - 3	1,755	1,998
Non-controlling interests in profit/(loss) for the period	VIII - 6	(69,528)	45,151
Cash flow after finance costs and income tax		**65,579**	**54,153**
Finance costs	VII - 2	26,084	13,794
Income tax	XI - 1-2	(9,758)	2,616
Cash flow before finance costs and income tax		**81,905**	**70,564**
Change in working capital		(8,864)	(2,118)
Interest paid		(35,278)	(2,660)
Interest received		368	7
Income tax paid		(2,244)	(2,773)
Net cash provided by operating activities		**35,888**	**63,019**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XIII - 1	(29,057)	(539,618)
Acquisitions of intangible assets and property and equipment		(2,787)	(341)
Amounts due on asset acquisitions		(14,301)	2,432
Proceeds from disposals of investment property, intangible assets and property and equipment	V - 5	58,296	26,872
Investment property disposal costs	V - 5	(421)	(278)
Other cash inflows and outflows		(6)	(22)
Net cash provided by (used in) investing activities		**11,723**	**(510,954)**
Cash flows from financing activities			
Capital increases/(reductions)	VIII - 1	-	-
Purchases and sales of treasury shares, net		43	(30)
Cash inflows/(outflows) from changes in ownership interests without acquisition/loss of control	VIII - 5	-	-
Dividends paid to owners of the parent	VIII - 3	(180,100)	(179,828)
Dividends paid to non-controlling interests		(7,326)	(37,931)
Proceeds from borrowings	XIII - 2	2,050,229	1,266,500
Repayments of borrowings	XIII - 2	(1,922,994)	(555,000)
Other movements in financing items		(92)	(257)
Net cash provided by (used in) financing activities		**(60,240)**	**493,455**
Net change in cash and cash equivalents		**(12,629)**	**45,520**
Cash and cash equivalents at beginning of period		69,433	114,881
Cash and cash equivalents at end of period	XIII - 1	56,804	160,401
Net change in cash and cash equivalents		**(12,629)**	**45,520**

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

I - 1) Accounting standards

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

In the first half of 2023, the European Union did not adopt any texts published by the IASB that were applicable in that period. The following texts were awaiting adoption as of 30 June 2023:

- 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.

- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements. These amendments require entities to disclose in the notes qualitative and quantitative information that enables users of the financial statements to assess the impact of supplier finance arrangements on the entity's liabilities and cash flows, understand the impact of such arrangements on the entity's exposure to liquidity risk, and understand what the impact would be on the entity if it no longer had access to such arrangements.

The amendments to IAS 7 are applicable in annual periods beginning on or after 1 January 2024 (with early adoption permitted) and the amendments to IFRS 7 are applicable when the amendments to IAS 7 are applied.

- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules. Pillar Two is the result of ongoing work by the OECD and focuses in particular on the introduction of a worldwide minimum tax rate of 15% on the profits of multinational companies within the scope of the scheme. The amendments proposed by the IASB specify the new disclosures to be made in the annual financial statements to provide users of the financial statements with visibility concerning the Group's exposure to the provisions of Pillar Two.

These amendments are applicable immediately, subject to adoption by the European Union. The Group is not concerned by the Pillar Two Model Rules.

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 30 June 2023 represented approximately 14% of the total portfolio. The two main projects concern:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in late July 2023 under a turnkey lease on over 20,000 sq.m.

- The Rives de Seine office building on quai de la Rapée in Paris (approximately 23,000 sq.m.), which was vacated by the tenant on 30 September 2022 and is being extensively redeveloped. Site clearance and asbestos removal work is in progress and redevelopment work will begin before the end of the year, with delivery scheduled for the first half of 2026. The building permit has been obtained and the contractor consultation process is in progress.

On 11 April 2023, SFL sold the 6 rue de Hanovre building in Paris (2nd *arrondissement*) to the GCI/Eternam joint venture, for €58.3 million net. The building’s tenant moved out in October 2022 and the 4,600 sq.m. complex was sold untenanted in its condition on the transaction date.

No properties were acquired during the period.

During first-half 2023, leases were signed on around 29,000 sq.m. of mainly office space.

II - 2) Financing

In June 2023, SFL obtained an €835 million revolving credit facility from a pool of ten banks, including a margin adjustment mechanism based on three ESG performance indicators. The 5-year facility (with two 1-year extension options) replaces existing facilities, while also enhancing the Group’s liquidity.

During the period, SFL also obtained a financing facility of up to €250 million from its majority shareholder, Inmobiliaria Colonial.

II - 3) Subsequent events

None.

III - Effects of Climate Change

Climate change is bringing about profound changes in the economy, which is why increasing attention needs to be paid to its effects on companies' financial and non-financial performance. Very ambitious objectives have been set to address the major challenges associated with these changes. Meeting these objectives will involve immediate transformations, notably in line with the recommendations in the sixth report of the Intergovernmental Panel on Climate Change (IPCC) published between 2021 and 2023.

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 climate change 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:

- Capital expenditure and building operating costs have increased due to the cost of work needed to reduce greenhouse gas emissions and adapt the buildings to the effects of climate change. This involves, for example, obtaining "low-carbon building" labels for all major redevelopment projects, re-using materials and equipment, building with low-carbon concrete, using bio-sourced materials, limiting deconstruction work, installing LED lights throughout the buildings, implementing more efficient heating and cooling systems, measuring energy use more reliably, installing electric recharging points and bicycle parking facilities, and promoting energy efficient practices among tenants.

- 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

All outstanding bonds (representing a total principal amount of €1,698 million) held by the Group at 30 June 2023 are green bonds.
SFL's objective is to further strengthen the convergence between its environmental performance and its financial structure. 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 also holds financing instruments indexed to ESG performance objectives. During the first half of 2023, the Group obtained an €835 million revolving credit facility, raising to €1,500 million (or 79%) the amount of bank financing incorporating a margin adjustment mechanism based on ESG performance indicators (mainly greenhouse gas emission reduction targets).

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 30 June 2023 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	First-half 2023
Rental income	**83,223**	**26,546**	**1,582**	**-**	**111,351**
Gross property expenses	(17,831)	(8,191)	(570)	-	(26,592)
Property expenses recovered from tenants	13,934	5,827	501	-	20,263
Property expenses, net of recoveries	(3,897)	(2,364)	(68)	-	(6,329)
Net property rentals	**79,326**	**24,182**	**1,514**	**-**	**105,023**
Other income	3,748	7	220	1,044	5,019
Depreciation, amortisation and impairment	-	-	-	(685)	(685)
Provision expense, net	(4)	(31)	-	(233)	(267)
Employee benefits expense	-	-	-	(7,823)	(7,823)
Other expenses	-	-	-	(4,027)	(4,027)
Profit/(loss) on disposal of investment properties	(158)	-	-	-	(158)
Fair value adjustments to investment property	(251,165)	(72,677)	(3,915)	-	(327,757)
Operating profit/(loss)	**(168,253)**	**(48,519)**	**(2,181)**	**(11,724)**	**(230,677)**
Finance costs and other financial expenses	-	-	-	(26,452)	(26,452)
Financial income	-	-	-	368	368
Profit/(loss) before income tax	**(168,253)**	**(48,519)**	**(2,181)**	**(37,808)**	**(256,761)**
Income tax benefit	-	-	-	9,758	9,758
Profit/(loss) for the period	**(168,253)**	**(48,519)**	**(2,181)**	**(28,050)**	**(247,003)**
Attributable to owners of the parent	**(102,576)**	**(44,581)**	**(2,181)**	**(28,136)**	**(177,474)**
Attributable to non-controlling interests	**(65,677)**	**(3,938)**	**-**	**86**	**(69,528)**
Other comprehensive income					
Actuarial gains and losses	-	-	-	151	151
Items that will not be reclassified to profit or loss	-	-	-	***151***	***151***
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	(3,725)	(3,725)
Items that may be reclassified subsequently to profit or loss	-	-	-	***(3,725)***	***(3,725)***
Other comprehensive income/(expense)	**-**	**-**	**-**	**(3,575)**	**(3,575)**
Comprehensive income/(expense)	**(168,253)**	**(48,519)**	**(2,181)**	**(31,625)**	**(250,577)**
Attributable to owners of the parent	**(102,576)**	**(44,581)**	**(2,181)**	**(31,711)**	**(181,049)**
Attributable to non-controlling interests	**(65,677)**	**(3,938)**	**-**	**86**	**(69,528)**

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	30 June 2023
Segment assets	6,024,957	1,736,171	93,500	94,387	7,949,015
Unallocated assets	-	-	-	37,236	37,236
Total assets	**6,024,957**	**1,736,171**	**93,500**	**131,623**	**7,986,251**

The segment analysis for first-half 2022 is as follows:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	First-half 2022
Rental income	**76,901**	**19,712**	**1,357**	**-**	**97,971**
Gross property expenses	(15,613)	(5,055)	(741)	-	(21,409)
Property expenses recovered from tenants	12,332	3,185	336	-	15,853
Property expenses, net of recoveries	(3,282)	(1,869)	(405)	-	(5,557)
Net property rentals	**73,619**	**17,842**	**952**	**-**	**92,414**
Other income/(expense)	910	161	(42)	1,579	2,608
Depreciation, amortisation and impairment	-	-	-	(1,398)	(1,398)
Provision (expense)/reversals, net	155	198	-	(564)	(211)
Employee benefits expense	-	-	-	(10,665)	(10,665)
Other expenses	-	-	-	(4,684)	(4,684)
Profit/(loss) on disposal of investment property	-	-	(420)	-	(420)
Fair value adjustments to investment property	171,324	27,505	6,605	-	205,433
Operating profit/(loss)	**246,008**	**45,706**	**7,094**	**(15,732)**	**283,076**
Finance costs and other financial expenses	-	-	-	(13,801)	(13,801)
Financial income	-	-	-	7	7
Profit/(loss) before income tax	**246,008**	**45,706**	**7,094**	**(29,527)**	**269,281**
Income tax expense	-	-	-	(2,616)	(2,616)
Profit/(loss) for the period	**246,008**	**45,706**	**7,094**	**(32,143)**	**266,665**
Attributable to owners of the parent	**99,535**	**8,987**	**7,094**	**105,898**	**221,514**
Attributable to non-controlling interests	146,472	36,720	-	(138,041)	45,151
Other comprehensive income					
Actuarial gains and losses	-	-	-	461	461
Items that will not be reclassified to profit or loss	-	-	-	*461*	*461*
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	10,626	10,626
Items that may be reclassified subsequently to profit or loss	-	-	-	*10,626*	*10,626*
Other comprehensive income	**-**	**-**	**-**	**11,087**	**11,087**
Comprehensive income/(expense)	**246,008**	**45,706**	**7,094**	**(21,056)**	**277,752**
Attributable to owners of the parent	**99,535**	**8,987**	**7,094**	**116,985**	**232,601**
Attributable to non-controlling interests	146,472	36,720	-	(138,041)	45,151

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	30 June 2022
Segment assets	6,414,899	1,309,540	96,702	181,131	8,002,273
Unallocated assets	-	-	-	519,890	519,890
Total assets	**6,414,899**	**1,309,540**	**96,702**	**701,021**	**8,522,163**

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. 2022	Increases	Decreases	Reclassifications	30 June 2023
Cost					
Computer software	8,047	-	-	-	8,047
Other	782	613	-	-	1,396
Amortisation and impairment					
Computer software	(6,922)	(492)	-	-	(7,413)
Other	(46)	-	-	-	(46)
Carrying amount	**1,862**	**121**	**-**	**-**	**1,983**

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. 2022	Increases	Decreases	Reclassifications	30 June 2023
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other property and equipment	6,038	2,174	-	-	8,213
Depreciation and impairment					
Owner-occupied property	(4,150)	(50)	-	-	(4,200)
Other property and equipment	(3,953)	(143)	-	-	(4,096)
Carrying amount	**19,173**	**1,981**	**-**	**-**	**21,154**

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €52,748 thousand at 30 June 2023 and €51,920 thousand at 31 December 2022.

V - 3) Depreciation, amortisation and impairment

(in thousands of euros)	First-half 2023	First-half 2022
Amortisation and impairment of intangible assets	(492)	(255)
Depreciation and impairment of property and equipment	(193)	(1,143)
Total	**(685)**	**(1,398)**

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 30 June 2023 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 half-yearly appraisals at SFL since 2017): 44%
- CBRE (in charge of half-yearly appraisals at SFL since 2019): 56%

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 during the period other than for half-yearly appraisals amounted to €5 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. 2022	Increases	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	30 June 2023
Investment property	8,051,948	31,871	92,749	(933)	(420,506)	7,755,130
Total	**8,051,948**	**31,871**	**92,749**	**(933)**	**(420,506)**	**7,755,130**

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

(in thousands of euros)	30 June 2023	31 Dec. 2022
Appraisal value of investment property, excluding transfer costs	7,909,294	8,245,718
Deduction of owner-occupied property (see Note V - 2)	(52,748)	(51,920)
Adjustments to reflect specific lease terms and other adjustments	(101,417)	(84,750)
Reclassification of investment property held for sale	-	(57,100)
Fair value of investment property in the statement of financial position	**7,755,130**	**8,051,948**

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

Geographic area	Value excluding transfer costs 30 June 2023 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris CBD	6,080	ERV[2]	€780 - €1,050	€892
		Exit yield	3.30% - 4.00%	3.60%
		Discount rate	4.30%-4.90%	4.58%
Other Paris	1,736	ERV[2]	€610 - €830	€713
		Exit yield	3.55% - 4.40%	3.95%
		Discount rate	4.50% - 6.50%	5.29%
Western Crescent	94	ERV[2]	€580 - €580	€580
		Exit yield	3.80% - 3.80%	3.80%
		Discount rate	4.80-4.80%	4.80%
Total	7,909			

[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 €553,566 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 €636,161 thousand.

Investment property valuation inputs used at 31 December 2022 were as follows 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.*

V - 5) Profit on disposal of investment property

During the period, the Group sold the 6 Hanovre 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
6 Hanovre	58,296	58,454	(158)	11 April 2023
Total	**58,296**	**58,454**	**(158)**	

The above carrying amount takes into account disposal costs of €421 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. 2022	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasurement at fair value	Reclassifications	30 June 2023
Investment property held for sale	57,100	933	-	58,033	-	-	-
Total	**57,100**	**933**	**-**	**58,033**	**-**	**-**	**-**

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 83.7% of rental income. Rental income includes the €16,810 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 €4,901 thousand.

At 30 June 2023, 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	1,496,872	168,686	171,406	173,607	160,108	161,217	661,847

At 31 December 2022, future minimum lease payments receivable over the remaining term of non-cancellable operating leases broke down as follows:

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years
Rental income	1,383,455	156,783	167,684	159,843	143,734	130,149	625,262

VI - 2) Other income

(in thousands of euros)	First-half 2023	First-half 2022
Own-work capitalised	1,043	1,560
Other income	3,976	1,048
Total	5,019	2,608

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)	30 June 2023			31 Dec. 2022
	Total	Due within 1 year	Due in 1 year or more	
Trade receivables	29,843	26,707	3,136	24,436
Provisions	(2,183)	(466)	(1,717)	(3,885)
Trade receivables	**27,660**	**26,241**	**1,419**	**20,551**
Prepayments to suppliers	21	21	-	79
Employee advances	55	55	-	6
Tax receivables (other than income tax)	12,124	12,124	-	17,667
Other operating receivables	2,302	2,302	-	1,526
Other receivables	749	749	-	1,394
Other receivables	**15,250**	**15,250**	**-**	**20,671**
Total	**42,910**	**41,491**	**1,419**	**41,222**

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 €13,600 thousand (31 December 2022: €13,690 thousand). Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	First-half 2023	First-half 2022
Increases in provisions	(252)	(177)
Reversals of provisions	148	529
Bad debt write-offs, net of recoveries	(160)	(2)
Total	**(264)**	**351**
Rental income	111,351	97,971
Cost of risk as a % of rental income	**0.24%**	**-0.36%**

VI - 4) Other current and non-current assets

(in thousands of euros)	30 June 2023	31 Dec. 2022
Other trade receivables	87,817	71,060
Total other non-current assets	**87,817**	**71,060**
Income tax prepayments	842	121
Current prepayments	6,183	725
Total other current assets	**7,025**	**846**

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)	30 June 2023	31 Dec. 2022
Trade payables	10,023	11,589
Amounts due within one year on asset acquisitions	21,162	35,463
Total	**31,185**	**47,052**

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)	30 June 2023	31 Dec. 2022
Deposits	46,228	44,282
Total other non-current liabilities	**46,228**	**44,282**
Deposits	6,042	4,009
Customer prepayments	15,677	31,660
Accrued employee benefits expense	8,042	11,959
Accrued taxes	12,217	5,011
Other liabilities	16,570	10,522
Accruals	5,329	2,277
Total other current liabilities	**63,878**	**65,438**

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)	First-half 2023	First-half 2022
Fees	(977)	(877)
Taxes other than on income	(804)	(1,126)
Other	(2,246)	(2,681)
Total	**(4,027)**	**(4,684)**

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	30 June 2023	31 Dec. 2022	30 June 2023	31 Dec. 2022
			Short-term portion		Long-term portion	
Bonds						
Oct. 2021 bonds (+ April 2022 tap)	0.50%	21 April 2028	581	2,092	599,000	599,000
June 2020 bonds (+ May 2022 tap)	1.50%	5 June 2027	638	5,169	599,000	599,000
May 2018 bonds	1.50%	29 May 2025	676	4,459	500,000	500,000
Bank loans						
BNPP syndicated term loan	3-month Euribor + margin	-	367	282	300,000	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	443,000	409,000	-	-
Other	1-Month/3-Month Euribor + margin	Within 1 year	181,068	-	-	-
Interest on derivatives	Other	-	-	255	-	-
Bank overdrafts	Various	-	17,276	6	-	-
Impact of deferred recognition of debt arranging fees		-	(7,547)	(7,165)	(23,482)	(24,086)
Total			**636,059**	**414,577**	**1,974,518**	**2,073,914**

The following table analyses borrowings by maturity:

(in thousands of euros)	30 June 2023	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2022
Bonds	1,699,895	1,895	1,698,000	-	1,709,720
BNPP term loan	300,367	367	300,000	-	300,282
BNPP syndicated loan	-	-	-	-	100,479
NEU CP	443,000	443,000	-	-	409,000
Other	181,068	181,068	-	-	-
Interest on derivatives	-	-	-	-	255
Bank overdrafts	17,276	17,276	-	-	6
Deferred debt arranging fees	(31,029)	(7,547)	(23,482)	-	(31,251)
Total	**2,610,577**	**636,059**	**1,974,518**	**-**	**2,488,491**

At 30 June 2023, the covenants and acceleration clauses applicable to SFL's bank credit facilities were as follows:

Applicable ratios	Actual ratios at 30 June 2023	Actual ratios at 31 Dec. 2022	Main acceleration clauses
Loan-to-value (LTV) <= 50%	30.6%	27.6%	Default Termination of operations
Interest cover >= 2x	3.8	5.5	Bankruptcy proceedings
Secured LTV <= 20%	0.0%	0.0%	Breach of financial covenants
Unrestricted property portfolio value >= €2bn	€8.4bn	€8.8bn	Material adverse event

The Group was not in breach of any of its financial covenants at 30 June 2023.

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

(in thousands of euros)	First-half 2023	First-half 2022
Interest on bank loans, bonds and commercial paper	(24,333)	(13,325)
Interest on hedging instruments	259	-
Other financial expenses	(4,349)	(2,729)
Capitalised interest expense	1,972	2,252
Finance costs and other financial expenses	**(26,452)**	**(13,801)**
Interest income	368	7
Financial income	**368**	**7**
Finance costs and other financial income and expenses, net	**(26,084)**	**(13,794)**

Capitalised interest expense corresponds to interest capitalised at the rate of 1.757% during the redevelopment of the Louvre Saint-Honoré and Rives de Seine 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 30 June 2023, derivatives held by the Group for hedging purposes included:

- 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.

- Counterparty: Société Générale. 7-year interest rate swap on a notional amount of €100,000 thousand, 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.

- Counterparty: CIC. 7-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 2.4240%. The swap came into effect on 6 December 2022 and is a cash flow hedge qualifying for hedge accounting.

- Counterparty: Cadif. 7-year interest rate swap on a notional amount of €200,000 thousand, 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.

During the period, one hedging instrument held by the Group expired. The instrument concerned was a cap with the following characteristics:

- 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.

The table below summarises the main characteristics and fair values (including the cost of credit) of SFL's hedging instruments:

(in thousands of euros)	Notional amount	Maturity	30 June 2023	31 Dec. 2022
CIC cap at 2%	100,000	March 2023	-	10
CIC swap at 2.6250%	100,000	Nov. 2027	2,010	1,873
Société Générale swap at 2.4920%	100,000	Dec. 2029	2,603	3,200
CIC swap at 2.4240%	100,000	Dec. 2029	2,991	3,635
Cadif swap at 2.4925%	200,000	Dec. 2029	5,212	6,396
Total			**12,816**	**15,114**

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 represented a loss of €3,725 thousand recorded in other comprehensive income for first-half 2023 (gain of €10,626 thousand for first-half 2022).

(in thousands of euros)	First-half 2023	First-half 2022
Interest rate hedges	(3,725)	10,626
Total	**(3,725)**	**10,626**

This change includes gains and losses accumulated in the cash flow hedging reserve in equity that were reclassified to profit or loss for the period in respect of cash flow hedging instruments that had already been unwound.

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

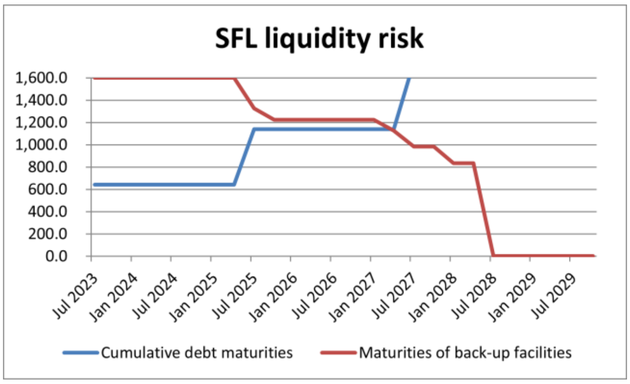
(in thousands of euros)	Date on which the instrument was unwound	Gains/losses accumulated in equity 31 Dec. 2022	Reclassified to profit or loss for the period	Gains/losses accumulated in equity 30 June 2023
CA-CIB Nov. 2021 swap at -0.3475%	Oct. 2021	821	(154)	667
CIC Nov. 2021 swap at -0.4525%	Oct. 2021	1,248	(234)	1,014
CIC collar -0.25% cap/-0.52% floor	April 2022	7,684	(120)	7,564
Société Générale collar -0.11% cap/-0.60% floor	June 2022	5,874	(919)	4,955
Total		**15,628**	**(1,427)**	**14,201**

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 30 June 2023, SFL had access to confirmed undrawn lines of credit in the amount of €1,600 million, compared with €1,240 million at 31 December 2022. 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 June 2027.



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.

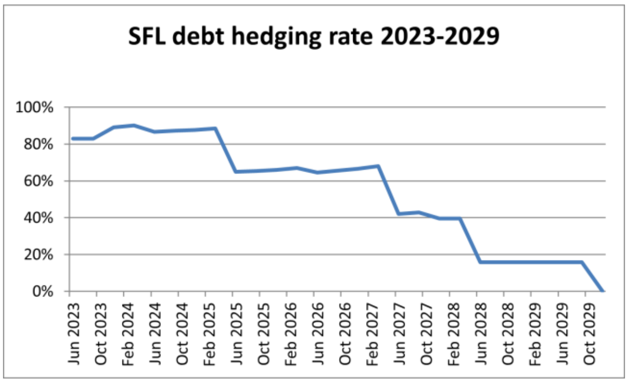
3/ Market risk

The Group did not have any exposure to currency risk at 30 June 2023. Interest rate risks are prudently and actively managed using an information system that tracks changes in the financial markets and calculates the fair value of hedging instruments in real time, thereby allowing the Group to efficiently quantify and analyse the risks associated with interest rate fluctuations.

a/ Objectives and strategy

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

At 30 June 2023, 83% 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 1.93% at 30 June 2023, versus 1.66% at 31 December 2022.

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 1.97%, driving up finance costs by €550 thousand or 2.1%. Conversely, 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 1.89%, reducing finance costs for the period by €550 thousand or 2.1%.

A 25-basis point increase in interest rates would have had the effect of increasing the fair value of hedging instruments by €6,344 thousand at 30 June 2023, while a 25-basis point decrease would have had the effect of reducing their fair value by €6,445 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 30 June 2023.

(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)	443,000	-	-	-	-	-	443,000
Other	180,000	-	-	-	-	-	180,000
BNPP syndicated term loan	-	-	-	-	300,000	-	300,000
Total floating rate debt	**623,000**	**-**	**-**	**-**	**300,000**	**-**	**923,000**

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 30 June 2023 was €1,528,792 thousand, as follows:

(in thousands of euros)	Notional amount	Maturity	30 June 2023	31 Dec. 2022
May 2018 bonds	500,000	May 2025	475,902	465,180
June 2020 bonds (+ May 2022 tap)	599,000	June 2027	545,932	523,232
Oct. 2021 bonds (+ April 2022 tap)	599,000	April 2028	506,958	481,740
Total			1,528,792	1,470,152

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)	30 June 2023	31 Dec. 2022
Deposits	239	234
Interest rate hedges	12,816	15,104
Total non-current financial assets	13,055	15,338
Interest rate hedges	-	10
Other	373	3
Total current financial assets	373	13

Cash flow hedging instruments held by the Group were valued at €12,816 thousand at 30 June 2023 (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)	30 June 2023	31 Dec. 2022
Cash and cash equivalents	54,604	69,433
Short-term investments	2,200	-
Total	56,804	69,433

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.
At 1 January 2023, the Company's share capital amounted to €85,729 thousand, represented by 42,864,715 ordinary shares with a par value of €2. Following a share issue paid up by capitalising reserves, at 30 June 2023, the capital stood at €85,771 thousand, divided into 42,885,672 shares with a par value of €2.

VIII - 2) Treasury shares

Accounting policy

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

	31 Dec. 2022	Increases	Decreases	30 June 2023
Number of treasury shares	51,715	4,153	(51,546)	4,322
Average purchase/sale price, in euros	€86.01	€78.25	€78.89	€163.49
Total (in thousands of euros)	4,448	325	(4,067)	707

VIII - 3) Dividends

(in thousands of euros)	First-half 2023		First-half 2022	
	Total payout	Per share	Total payout	Per share
Dividends paid out during the period	180,100	€4.20	179,828	€4.20
Total	180,100	€4.20	179,828	€4.20

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)	First-half 2023	First-half 2022
Profit/(loss) used to calculate basic earnings per share	(177,474)	221,514
Average number of ordinary shares	42,878,686	42,864,715
Average number of treasury shares	(35,983)	(80,972)
Average number of ordinary shares excluding treasury shares	**42,842,703**	**42,783,743**
Basic earnings per share	**€(4.14)**	**€5.18**
Profit/(loss) used to calculate basic earnings per share	(177,474)	221,514
Average number of ordinary shares	42,878,686	42,864,715
Average number of treasury shares	(35,983)	(80,972)
Average potential ordinary shares corresponding to dilutive instruments	61,452	72,454
Diluted weighted average number of ordinary shares excluding treasury shares	**42,904,155**	**42,856,197**
Diluted earnings per share	**€(4.14)**	**€5.17**

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.

VIII - 6) Non-controlling interests in profit

Non-controlling interests in profit for the period break down as follows:

(in thousands of euros)	SCI Paul Cézanne	SCI 103 Grenelle	SAS 92 Champs Elysées	SAS Cloud	Total First-half 2023
Rental income	4,495	2,910	2,888	4,818	15,112
Fair value adjustments to investment property	(44,570)	(6,771)	2,778	(37,362)	(85,925)
Finance costs and other financial income and expense	12	13	41	46	111
Other	(244)	(87)	(64)	1,569	1,173
Total	**(40,307)**	**(3,935)**	**5,643**	**(30,929)**	**(69,528)**

The first-half 2022 breakdown was as follows:

(in thousands of euros)	SCI Paul Cézanne	SCI 103 Grenelle	SAS 92 Champs Elysées	SAS Cloud	Total First-half 2022
Rental income	3,018	2,386	2,758	4,661	12,823
Fair value adjustments to investment property	9,843	8,375	(5,916)	20,687	32,989
Finance costs and other financial income and expense	(11)	(15)	(16)	(33)	(74)
Other	34	(96)	(136)	(388)	(587)
Total	**12,884**	**10,650**	**(3,309)**	**24,927**	**45,151**

VIII - 7) First-time consolidation

No companies were acquired during the period.

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. 2022	Acquisitions	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	30 June 2023
Provisions for employee benefits	1,535	-	368	(66)	*(66)*	(151)	(528)	1,160
Long-term provisions	**1,535**	**-**	**368**	**(66)**	***(66)***	**(151)**	**(528)**	**1,160**
Provisions for employee benefits	1,114	-	-	(1,114)	*(978)*	-	528	528
Other provisions	152	-	-	(152)	(83)	-	-	-
Short-term provisions	**1,266**	**-**	**-**	**(1,266)**	***(1,061)***	**-**	**528**	**528**
Total	**2,801**	**-**	**368**	**(1,332)**	***(1,127)***	**(151)**	**-**	**1,687**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €930 thousand. See Note X - 2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €23.3 thousand at 30 June 2023 and €21.6 thousand at 31 December 2022.

IX - 2) Net change in provisions and impairment

(in thousands of euros)	First-half 2023	First-half 2022
Charges to provisions for impairment of current assets	(252)	(177)
Charges to provisions for operating contingencies and charges	(258)	(504)
Charges to provisions for other contingencies and charges	(110)	(60)
Total charges	**(619)**	**(741)**
Reversals of provisions for impairment of current assets	148	529
Reversals of provisions for other contingencies and charges	205	-
Total reversals	**353**	**529**
Total	**(267)**	**(211)**

X - Remuneration and Other Employee Benefits

X - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	First-half 2023	First-half 2022
Wages and salaries	(3,732)	(5,638)
Payroll taxes	(1,738)	(2,276)
Other employee benefits	(1,755)	(2,057)
Statutory and discretionary profit-sharing	(597)	(694)
Total	**(7,823)**	**(10,665)**

The Group had 78 administrative staff (including two corporate officers) at 30 June 2023, versus 69 at 30 June 2022. The two building staff employed at 30 June 2022 were no longer on the payroll at 30 June 2023.

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

Accounting policy

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

Measurement method

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

(in thousands of euros)	First-half 2023	First-half 2022
Projected benefit obligation at beginning of period	**1,036**	**1,346**
Benefits paid during the period	(66)	-
Service cost	80	51
Interest cost	31	9
Actuarial gains and losses	(151)	(461)
Projected benefit obligation at end of period	**930**	**945**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions including, at 30 June 2023, a discount rate of 3.74% (31 December 2022: 3.12%) and a 2.50%-rate of future salary increases (unchanged from 31 December 2022). Actuarial gains and losses are recognised in equity.
A 25-bps reduction in the discount rate at 30 June 2023 would lead to an €18 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 30 June 2023

	Plan no. 5	Plan no. 6	Plan no. 6	Plan no. 7
Date of shareholder authorisation	20 April 2018	15 April 2021	15 April 2021	15 April 2021
Grant date (date of Board meeting)	11 Feb. 2021	18 Feb. 2022	14 Feb. 2023	14 Feb. 2023
Initial target number of shares	33,460	30,624	4,980	22,500
Initial expected vesting rate	100.00%	100.00%	100.00%	100.00%
Initial number of shares expected to vest	33,460	30,624	4,980	22,500
Fair value per share	€54.59	€73.37	€72.91	€72.91
Rights cancelled/forfeited	(868)	(556)	(456)	-
Expected vesting rate at end of period	150.00%	100.00%	100.00%	100.00%
Number of shares expected to vest at end of period	**48,888**	**30,068**	**4,524**	**22,500**

Main features of the plans

The plans' main features are as follows:

- The shares will vest only if the grantee is still employed by the Group on the vesting date.
- Performance target: the number of shares that vest depends on SFL's ranking among a group of six listed property companies based on growth in consolidated ANAV per share.
- The performance shares will vest 15 business days after the publication, by the last of the Reference Companies to do so, of a press release announcing its results for the third financial year after the grant date.
- Lock-up period: the performance shares may not be sold or otherwise transferred before the end of a period of two years as from the vesting date.

Accounting treatment

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period. At 30 June 2023, the rates applied were 150% for the 2021 plan (probable ranking: no. 2) and 100% for the 2022 and 2023 plans (probable ranking: no. 3).

In first-half 2023, a total of 67,760 performance shares vested under 2020 Plan no. 5.

The cost of performance share plans recognised during the period amounted to €1,755 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)	First-half 2023	First-half 2022
Short-term benefits, excluding payroll taxes[1]	2,526	4,148
Payroll taxes on short-term benefits	1,814	2,396
Share-based payments[2]	852	981
Directors' fees	90	234
Total	**5,282**	**7,760**

[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 the period amounted to €1,246 thousand (first-half 2022: €2,172 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%.

(in thousands of euros)	31 Dec. 2022	Reclassifications	Equity	Income statement	30 June 2023
Fair value adjustments to investment property	(166,073)	-	-	11,961	(154,112)
Adjustment of depreciation and amortisation	(31,950)	-	-	(707)	(32,657)
Adjustment of rental income	(3,525)	-	-	(300)	(3,825)
Capitalisation of interest expense and transaction costs	(521)	-	-	0	(521)
Other	(1,426)	-	-	50	(1,376)
Net	**(203,495)**	-	-	11,004	(192,491)
Of which deferred tax assets	-	-	-		
Of which deferred tax liabilities	(203,495)	-	-	11,004	(192,491)

Income tax for first-half 2023 represented a tax benefit of €9,758 thousand. The difference between theoretical tax and actual tax is mainly due to the exemption linked to the SIIC regime.

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)	125,024	73,092	29,486	22,446
Guarantees received from suppliers	36,679	36,679	-	-
Total commitments received	**161,813**	**109,881**	**29,486**	**22,446**

Contractual redevelopment and renovation obligations

At 30 June 2023, the Group's contractual commitments relating to investment properties undergoing renovation totalled €50,478 thousand (€53,349 thousand at 31 December 2022), of which €23,316 thousand concerned the Louvre Saint-Honoré and Rives de Seine properties.

XII - 2) Off-balance sheet financing commitments

At 30 June 2023, 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**
Banco Sabadell	50,000	-	50,000	-
Cadif	175,000	-	175,000	-
Syndicated loan	835,000	-	835,000	-
BNPP	100,000	-	100,000	-
BECM	140,000	-	140,000	-
Société Générale	100,000	-	100,000	-
Intesa Sanpaolo	100,000	-	100,000	-
Caixabank	100,000	-	100,000	-
Total	**1,600,000**	**-**	**1,600,000**	**-**

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 30 June 2023, total commitments for the payment of compensation amounted to €1,900 thousand (€1,379 thousand at 31 December 2022).

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)	**First-half 2023**	**First-half 2022**
Acquisitions of and improvements to investment property		
Acquisitions	(1,533)	(474,895)
Work	(27,524)	(64,723)
Total	**(29,057)**	**(539,618)**
Cash and cash equivalents at end of period		
Short-term investments	2,200	-
Cash at bank and in hand	54,604	160,401
Total	**56,804**	**160,401**

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. 2022	Cash flows			Non-cash changes			30 June 2023
		Proceeds from new borrowings	Repayments of borrowings	Interest paid[(1)]	Deferred recognition of debt arranging fees	Fair value adjustments	Other	
Borrowings (excluding accrued interest)	2,066,749	(4,041)	(99,994)	-	4,257	-	-	1,966,971
Accrued interest on borrowings and derivatives	12,737	-	-	(9,406)	-	-	-	3,330
NEU Commercial Paper	409,000	1,507,000	(1,473,000)	-	-	-	-	443,000
Other	-	530,000	(350,000)	-	-	-	-	180,000
Bank overdrafts (including interest)	6	17,270	-	-	-	-	-	17,276
Total	**2,488,491**	**2,050,229**	**(1,922,994)**	**(9,406)**	**4,257**	**-**	**-**	**2,610,577**

[(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 30 June 2023:

Consolidated companies	Registration no.	Percentage (%) Interest	Percentage (%) 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

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 30 June 2023. The Group and all of its subsidiaries have their registered office in the 8th *arrondissement* of Paris.

4. STATUTORY AUDITORS' REVIEW REPORT

PricewaterhouseCoopers Audit
63, rue de Villiers
92200 Neuilly-sur-Seine

S.A.S au capital de 2 510 460 €
672 006 483 R.C.S Nanterre

Commissaire aux Comptes
Membre de la compagnie
Régionale de Versailles et du Centre

Deloitte & Associés
6, place de la Pyramide
92908 Paris-La-Défense

S.A.S au capital de 2 188 160€
572 028 041 R.C.S Nanterre

Commissaire aux Comptes
Membre de la compagnie
Régionale de Versailles et du Centre

Société Foncière Lyonnaise

Société Anonyme

42 rue Washington

75008 Paris

Statutory Auditors' review report on the

2023 interim financial information

Six months ended 30 June 2023

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

To the shareholders,

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

- the review of the accompanying interim consolidated financial statements of Société Foncière Lyonnaise for the six months ended 30 June 2023;
- the verification of the information contained in the interim management report.

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

I – Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at 30 June 2023, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

II – Specific verification

We have also verified the information given in the interim management report on the interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the interim consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, 20 July 2023

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Laurent Daniel	Sylvain Durafour

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

I hereby declare that, to the best of my knowledge, the consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of the Company and the entities included in the scope of consolidation, and the interim management report on page 3 presents fairly the changes in business, results and financial position of the Company and the entities included in the scope of consolidation, as well as a description of their principal risks and contingencies for the remaining six months of the year.

Paris, 20 July 2023

Dimitri Boulte
Chief Executive Officer

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Société anonyme. Share capital: €85,771,344 - RCS 552 040 982 Paris - APE code 6820B - Intracom. VAT Code SFL FR 54/552/040/982