INTERIM FINANCIAL REPORT

Six months ended 30 June 2024

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 2024, 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

First-Half 2024 Results

The consolidated financial statements for the six months ended 30 June 2024 were approved by the Board of Directors of Société Foncière Lyonnaise ("SFL") on 23 July 2024, at its meeting chaired by Pere Viñolas Serra.

These financial statements reflect sharp growth in operating profit, stable portfolio appraisal values and a significant increase in EPRA earnings. The occupancy rate remained at an exceptionally high 99.8% and properties let during the period commanded increasingly high rents, attesting to the attractiveness of prime Paris office properties and the quality of SFL's business model.

Consolidated data (€ millions)

	H1 2023	H1 2024	Change
Revenue*	111.4	127.0	+14.0%
Rental income	111.4	121.6	+9.2%
Adjusted operating profit**	97.2	109.8	+12.9%
Attributable net profit/(loss)	(177.5)	76.7	n/a
EPRA earnings	53.2	60.1	+13.0%
per share	€1.24	€1.40	+12.9%

* Including the cancellation of a rent accrual in an amount of €5.4 million in the first half of the year

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

	31/12/2023	30/06/2024	Change
Attributable equity	3,540	3,527	-0.4%
Consolidated portfolio value excluding transfer costs	7,332	7,406	+1.0%
Consolidated portfolio value including transfer costs	7,817	7,899	+1.0%
EPRA NTA	3,752	3,649	-2.7%
per share	€87.5	€85.0	-2.9%
EPRA NDV	3,673	3,673	0.0%
per share	€85.7	€85.5	-0.2%

I- Strong revenue growth in a still uncertain environment

❖ Rental income up 7.4% like-for-like

Revenue came to €127 million in the first half of 2024, including €121.6 million in rental income and the cancellation of a rent accrual in an amount of €5.4 million.

Rental income for the period was up by a strong €10.2 million (up 9.2%) compared with the first half of 2023. The period-on-period change can be explained as follows:

- On a like-for-like basis (revenue-generating properties, excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €8.1 million higher (up 7.4%), including the €4.6 million impact of rent indexation clauses and the contribution from new leases signed in 2023 and 2024 (with long-standing tenants such as Infravia, Havea and Fast Retailing, and new tenants such as a leading luxury goods company and Brunswick). These new leases drove significant growth in rental income from the Washington Plaza, Cézanne Saint-Honoré and #cloud.paris complexes.

- Rental income from spaces being redeveloped during the periods under review rose by €10.1 million. This included the €7.8 million contribution for the whole of first-half 2024 from the retail area of the Louvre Saint-Honoré project, which was delivered in July 2023 to the Cartier Foundation upon completion of the lessor-funded redevelopment work, and the €3.3 million contribution of the new Adidas flagship store on the Champs-Elysées.

- The decision by a tenant to break their lease led to the cancellation of the related rent accrual in the IFRS financial statements, which was partly offset by a provision reversal, and the recognition of a lease termination penalty paid by the tenant. The net impact on rental income was a negative €1.9 million.

Adjusted operating profit (i.e., operating profit before disposal gains and losses and fair value adjustments to investment property) rose by a strong 12.9% to €109.8 million in first-half 2024, from €97.2 million in the year-earlier period.

❖ Stable appraisal values against a backdrop of ongoing uncertainty

The portfolio's appraisal value rose by 1.0% over the six months to 30 June 2024 on a comparable basis, leading to positive fair value adjustments to investment property of €27.4 million for the period versus negative adjustments of €327.8 million in first-half 2023.
The stabilisation of appraisal values reflected the application of rent escalation clauses and the sharp rise in rental values in the prime segment of the Paris property market. The discount rate declined (by an average of 2 bps), while the average exit capitalisation rate continued to rise (by an average of 3 bps).

❖ Higher net profit despite the increase in finance costs

Net finance costs stood at €28.3 million in first-half 2024, versus €26.1 million in the same period of 2023, representing an increase of €2.2 million. Excluding non-recurring items, the increase was €4.7 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 came in at €60.1 million in first-half 2024 versus €53.2 million in the year-earlier period.
EPRA earnings per share stood at €1.4 in first-half 2024, up 12.9% from €1.24 in first-half 2023.

The Group ended the period with attributable net profit of €76.7 million, versus a loss of €177.5 million in first-half 2023.

II- Occupancy rate kept at a record high of 99.8%

SFL's strategic positioning means it can take full advantage of the very positive momentum in the Paris property rental market and particularly higher market rents. The physical occupancy rate remained at a record high of 99.8% at 30 June 2024 (99.7% at 31 December 2023). The EPRA vacancy rate was 0.2% (unchanged from 31 December 2023).

SFL signed leases on around 12,000 sq.m. in the first half, including 11,300 sq.m. of office space, mainly with new tenants.

This sustained rental activity primarily concerned the following properties:

- #cloud.paris, with 3,500 sq.m. let for a non-cancellable period of nine years to an international fund management company;
- Cézanne Saint-Honoré, with 2,700 sq.m. let for a non-cancellable period of nine years to an international law firm;
- Edouard VII, with 1,230 sq.m. let for a non-cancellable period of six years to Brunswick;
- 103 Grenelle, with 1,315 sq.m. let for a non-cancellable period of ten years to Beau de Loménie;
- office space in the Washington Plaza and 176 Charles de Gaulle properties;
- residential units representing around 500 sq.m. and retail units representing 200 sq.m.

Average nominal rents for the new office leases rose sharply to €998 per sq.m., corresponding to an effective rent of €883 per sq.m., for an average non-cancellable period of 8.7 years. These lease terms attest to the attractiveness of the Group's properties.

III- Efficiently managed pipeline offering a €31.4 million annual reversionary potential

Properties undergoing redevelopment at 30 June 2024 represented 10% of the total portfolio. They include the Scope office building (formerly Rives de Seine) on the Quai de la Râpée in Paris (around 23,000 sq.m.). Site clearance and asbestos removal work has now been completed, and the works contract with the general contractor was signed on 17 June, with delivery still scheduled for mid-2026.

Capitalised work carried out in first-half 2024 amounted to €27.5 million, including the Scope project for a total of €6.3 million and floor-by-floor renovations, primarily in the Edouard VII complex.

IV- No acquisitions/disposals

No properties were purchased or sold during first-half 2024.

V- Disciplined and resolutely green financing

During first-half 2024, the Group rolled over its €100 million credit line with BNP Paribas. The new facility agreement includes a spread 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 one-year extension options) replaces the existing credit line.

Also during the period, the €300 million Term Loan and the €835 million RCF were extended by one year, increasing the average maturity of debt to 3.6 years.

Net debt at 30 June 2024 amounted to €2,688 million compared to €2,539 million at 31 December 2023, representing a loan-to-value ratio of 34.0% including transfer costs. At the same date, the average cost of debt after hedging was 2.1% and the Interest Coverage Ratio (ICR) was 3.5x.

At 30 June 2024, the Group had access to €1,570 million in undrawn confirmed lines of credit.

VI- EPRA Net Asset Value stable overall, taking into account a dividend payout of €2.40/share

The portfolio's consolidated appraisal value at 30 June 2024 was €7,406 million excluding transfer costs, up 1.0% from €7,332 million at 31 December 2023.

The average EPRA topped-up Net Initial Yield (NIY) was 3.8% at 30 June 2024, unchanged from 31 December 2023.

At 30 June 2024, EPRA Net Tangible Assets (NTA) stood at €85.0 per share (€3,649 million in total, down 2.9% over the first half of the year) and EPRA Net Disposal Value (NDV) was €85.5 per share (€3,673 million, unchanged from 31 December 2023), after payment of a dividend of €2.40 per share in April 2024.

Lastly, during the period, Pargal SAS elected to be taxed as an SIIC, with retroactive effect from 1 January 2024. The election had the effect of reducing EPRA NTA by €48.1 million and increasing EPRA NDV by €21.1 million.

VII- EPRA indicators

	H1 2023	H1 2024
EPRA Earnings (€m)	**53.2**	60.1
/share	*€1.24*	*€1.40*
EPRA Cost Ratio (including vacancy costs)	13.7%	12.0%
EPRA Cost Ratio (excluding vacancy costs)	12.7%	11.5%

	31/12/2023	30/06/2024
EPRA NRV (€m)	**4,173**	**4,076**
/share	*€97.3*	*€94.9*
EPRA NTA (€m)	**3,752**	**3,649**
/share	*€87.5*	*€85.0*
EPRA NDV (€m)	**3,673**	**3,673**
/share	*€85.7*	*€85.5*
EPRA Net Initial Yield (NIY)	2.6%	2.5%
EPRA topped-up NIY	3.8%	3.8%
EPRA Vacancy Rate	0.2%	0.2%

	31/12/2023	30/06/2024
LTV	**32.5%**	**34.0%**
100%, including transfer costs		
EPRA LTV (including transfer costs)		
100%	34.3%	35.5%
Attributable to SFL	39.6%	41.0%
EPRA LTV (excluding transfer costs)		
100%	36.6%	37.9%
Attributable to SFL	42.2%	43.6%

Alternative Performance Indicators (APIs)

EPRA Earnings API

€ millions	H1 2023	H1 2024
Attributable net profit/(loss)	**(177.5)**	**76.7**
Less:		
Fair value adjustments to investment property	327.8	(27.4)
Profit on asset disposals	0.2	0.0
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.6	(1.8)
Tax on the above items	(12.0)	(4.8)
Tax impact of the SIIC regime election	0	(21.1)
Non-controlling interests in the above items	(85.9)	38.5
EPRA earnings	**53.2**	**60.1**
Average number of shares (thousands)	*42,879*	*42,918*
EPRA earnings per share	**€1.24**	**€1.40**

EPRA NRV/NTA/NDV APIs

€ millions	31/12/2023	30/06/2024
Attributable equity	**3,540**	**3,527**
Treasury shares	0	0
Fair value adjustments to owner-occupied property	34	34
Unrealised capital gains on intangible assets	4	4
Elimination of financial instruments at fair value	6	(7)
Elimination of deferred taxes	173	97
Transfer costs	416	421
EPRA NRV (Net Reinstatement Value)	**4,173**	**4,076**
Elimination of intangible assets	(1)	(2)
Elimination of unrealised gains on intangible assets	(4)	(4)
Elimination of transfer costs*	(416)	(421)
EPRA NTA (Net Tangible Assets)	**3,752**	**3,649**
Intangible assets	1	2
Financial instruments at fair value	(6)	7
Fixed-rate debt at fair value	98	112
Deferred taxes	(173)	(97)
EPRA NDV (Net Disposal Value)	**3,673**	**3,673**

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

Net debt API

€ millions	31/12/2023	30/06/2024
Long-term borrowings and derivative instruments	1,983	1,480
Short-term borrowings and other interest-bearing debt	644	1,217
Debt in the consolidated statement of financial position	**2,628**	**2,697**
Less:		
Accrued interest and deferred recognition of debt arranging fees	8	23
Cash and cash equivalents	(97)	(33)
Net debt	**2,539**	**2,688**

2. Risk Factors

The Group regularly reviews the mapping of specific risk exposures that could have a material adverse effect on its business, financial position, results, outlook or ability to fulfil its objectives.

The main risks and uncertainties that SFL and its subsidiaries may face in the second half of 2024 are set out in section 6 “Risk Factors” on pages 17 to 30 of the 2023 Universal Registration Document filed with the French securities regulator (*Autorité des Marchés Financiers* - AMF) on 25 March 2024 under number D. 24-0164 (the “2023 Universal Registration Document”).

The 2023 Universal Registration Document is available on the Company’s website and via the following link: *https://www.fonciere-lyonnaise.com/wp-content/uploads/2024/03/ri-deu-2023-va.pdf*

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

The risk factors identified and their ratings at 30 June 2024 are listed below.

RISK MAP

Impact

- Not material → Minor → Moderate → Major → Critical +

Probability

- Very low → Low → Average → High → Very high +

	Identified risk factors	Effect	Probability
	A – Macroeconomic risks		
1	Risk of a change in the economic environment and the 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	High
5	Asset obsolescence and impairment risks	Moderate	Average
6	Property utilisation and development risks	Moderate	Average
7	Tenant risks	Moderate	Average
	C – Financial risks		
8	Interest rate risk	Major	High
9	Liquidity risk	Moderate	Average
10	Counterparty risk	Not material	Very low
	D – Environmental, social and governance risks		
11	Environmental risks	Major	High
12	Social risks	Moderate	Average
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

The Company closely monitors political developments in France and any potential impact on its business and risk map. To date, the information available to the Company does not in itself justify the modification of the risk factors.

During the second half, any developments with a significant impact on the Company and its risk positioning will be taken into account.

3. Consolidated Financial Statements for the six months ended 30 June 2024

FINANCIAL STATEMENTS

The consolidated financial statements were approved for publication by the Board of Directors on 23 July 2024.

A – Consolidated Statement of Financial Position

(in thousands of euros) **ASSETS**	**Notes** **Section E**	**30 June 2024**	**31 Dec. 2023**
Intangible assets	V - 1	2,012	1,421
Property and equipment	V - 2	22,815	22,761
Investment property	V - 4	7,213,249	7,156,813
Non-current financial assets	VII - 5	7,519	237
Other non-current assets	VI - 4	127,417	112,880
Total non-current assets		**7,373,012**	**7,294,112**
Trade and other receivables	VI - 3	54,996	33,360
Current financial assets	VII - 5	519	612
Other current assets	VI - 4	871	4,662
Cash and cash equivalents	VII - 6	32,775	96,776
Total current assets		**89,162**	**135,410**
Total assets		**7,462,173**	**7,429,521**

(in thousands of euros) **EQUITY AND LIABILITIES**	**Notes** **Section E**	**30 June 2024**	**31 Dec. 2023**
Share capital	VIII - 1	85,902	85,771
Reserves		3,364,473	4,093,159
Profit/(loss) for the period		76,697	(638,767)
Equity attributable to owners of the parent		**3,527,072**	**3,540,164**
Non-controlling interests		963,168	941,976
Total non-controlling interests		**963,168**	**941,976**
Total equity		**4,490,240**	**4,482,140**
Long-term borrowings and derivative instruments	VII - 1	1,480,190	1,983,226
Long-term provisions	IX - 1	2,417	1,348
Deferred tax liabilities	XI - 2	97,167	172,955
Other non-current liabilities	VI - 6	83,399	50,157
Total non-current liabilities		**1,663,172**	**2,207,686**
Trade and other payables	VI - 5	33,711	28,075
Short-term borrowings and other interest-bearing debt	VII - 1	1,217,297	644,429
Short-term provisions	IX - 1	457	836
Other current liabilities	VI - 6	57,296	66,355
Total current liabilities		**1,308,761**	**739,695**
Total equity and liabilities		**7,462,173**	**7,429,521**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2024	First-half 2023
Rental income		**121,578**	**111,351**
Gross property expenses		(28,616)	(26,592)
Property expenses recovered from tenants		25,110	20,263
Property expenses, net of recoveries		(3,505)	(6,329)
Net property rentals	**VI - 1**	**118,073**	**105,023**
Other income	VI - 2	1,875	5,019
Depreciation, amortisation and impairment	V - 3	(716)	(685)
Provision expense, net	IX - 2	4,288	(267)
Employee benefits expense	X - 1	(8,441)	(7,823)
Other expenses	VI - 7	(5,275)	(4,027)
Profit/(loss) on disposal of investment property	V - 5	-	(158)
Fair value adjustments to investment property	V - 4	27,412	(327,757)
Operating profit/(loss)		**137,217**	**(230,677)**
Finance costs and other financial expenses	VII - 2	(31,435)	(26,452)
Financial income	VII - 2	3,093	368
Profit/(loss) before income tax		**108,876**	**(256,761)**
Income tax benefit	XI - 1-2	23,585	9,758
Profit/(loss) for the period		**132,460**	**(247,003)**
Attributable to owners of the parent		**76,697**	**(177,474)**
Attributable to non-controlling interests	VIII - 6	55,763	**(69,528)**
Earnings per share	VIII - 4	€1.79	(€4.14)
Diluted earnings per share	VIII - 4	€1.78	(€4.14)
Other comprehensive income			
Actuarial gains and losses	IX - 1	14	151
Items that will not be reclassified to profit or loss		***14***	***151***
Valuation gains and losses on financial instruments (cash flow hedges)	VII - 3	10,936	(3,725)
Items that may be reclassified subsequently to profit or loss		***10,936***	***(3,725)***
Other comprehensive income/(expense)		**10,951**	**(3,575)**
Comprehensive income/(expense)		**143,411**	**(250,577)**
Attributable to owners of the parent		**87,648**	**(181,049)**
Attributable to non-controlling interests	VIII - 6	55,763	(69,528)

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 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/(expense)	**-**	**-**	**-**	**-**	**(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**
Profit/(loss) for the period	-	-	-	-	-	-	(461,293)	(461,293)	(78,577)	(539,870)
Other comprehensive income/(expense), net of tax	-	-	-	-	(20,269)	(19)	-	(20,288)	-	(20,288)
Comprehensive income/(expense)	**-**	**-**	**-**	**-**	**(20,269)**	**(19)**	**(461,293)**	**(481,581)**	**(78,577)**	**(560,158)**
Appropriation of profit/(loss)			-	-	-	-	-	-	-	-
Share issues	-	-	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	136	-	-	-	136	-	136
Gains and losses on sales of treasury shares	-	-	-	(45)	-	-	-	(45)	-	(45)
Share-based payments	-	-	-	-	-	2,000	-	2,000	-	2,000
Dividends paid to owners of the parent	-	-	-	-	-	-	-	-	-	-
Equity at 31 December 2023	**85,771**	**159,961**	**22,621**	**(18,184)**	**6,690**	**3,922,074**	**(638,767)**	**3,540,164**	**941,976**	**4,482,140**
Profit/(loss) for the period	-	-	-	-	-	-	76,697	76,697	55,763	132,460
Other comprehensive income, net of tax	-	-	-	-	10,936	14	-	10,951	-	10,951
Comprehensive income/(expense)	-	-	-	-	10,936	14	76,697	87,648	55,763	143,411
Appropriation of profit/(loss)	-	-	-	-	-	(638,767)	638,767	-	-	-
Share issues	130	(130)	-	-	-	-	-	-	-	-
Treasury share transactions	-	-	-	77	-	-	-	77	-	77
Gains and losses on sales of treasury shares	-	-	-	(13)	-	-	-	(13)	-	(13)
Share-based payments	-	-	-	-	-	1,764	-	1,764	-	1,764
Dividends paid to owners of the parent	-	-	-	-	-	(103,076)	-	(103,076)	(34,571)	(137,647)
Other	-	-	-	-	-	506	-	506	-	506
Equity at 30 June 2024	**85,902**	**159,831**	**22,621**	**(18,120)**	**17,626**	**3,182,516**	**76,697**	**3,527,072**	**963,168**	**4,490,240**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2024	First-half 2023
Cash flows from operating activities			
Profit/(loss) for the period attributable to owners of the parent		76,697	(177,474)
Fair value adjustments to investment property	V - 4	(27,412)	327,757
Depreciation and amortisation expense (excluding impairment)	V - 3	716	685
Net additions to/(reversals of) provisions	IX - 1	(445)	(964)
Net (gains)/losses from disposals of investment property	V - 6	-	158
Deferral of rent-free periods and key money	VI - 1	(12,654)	(16,810)
Employee benefits	X - 3	1,764	1,755
Non-controlling interests in profit/(loss) for the period	VIII - 6	55,763	(69,528)
Cash flow after finance costs and other financial income and expense and income tax		**94,428**	**65,579**
Finance costs and other financial income and expense	VII - 2	28,342	26,084
Income tax	XI - 1-2	(23,585)	(9,758)
Cash flow before finance costs and other financial income and expense and income tax		**99,186**	**81,905**
Change in working capital		(21,747)	(8,864)
Interest paid		(39,495)	(35,278)
Interest received		2,167	368
Income tax paid		(1,324)	(2,244)
Net cash provided by operating activities		**38,787**	**35,888**
Cash flows from investing activities			
Acquisitions of and improvements to investment property	XIII - 1	(29,024)	(29,057)
Acquisitions of intangible assets and property and equipment		(1,361)	(2,787)
Amounts due on asset acquisitions		(19,586)	(14,301)
Proceeds from disposals of investment property, intangible assets and property and equipment	V - 5	-	58,296
Investment property disposal costs	V - 5	-	(421)
Other cash inflows and outflows		(71)	(6)
Net cash provided by (used in) investing activities		**(50,042)**	**11,723**
Cash flows from financing activities			
Purchases and sales of treasury shares		64	43
Dividends paid to owners of the parent	VIII - 3	(103,076)	(180,100)
Dividends paid to non-controlling interests		(34,571)	(7,326)
Proceeds from borrowings	XIII - 2	2,273,980	2,050,229
Repayments of borrowings	XIII - 2	(2,189,000)	(1,922,994)
Other movements in financing items		(144)	(92)
Net cash provided by (used in) financing activities		**(52,747)**	**(60,240)**
Net change in cash and cash equivalents		**(64,002)**	**(12,629)**
Cash and cash equivalents at beginning of period		96,776	69,433
Cash and cash equivalents at end of period	XIII - 1	32,775	56,804
Net change in cash and cash equivalents		**(64,002)**	**(12,629)**

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

I - 1) Accounting standards

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

The following amendments published by the IASB were adopted by the European Union in first-half 2024:

- 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. SFL has not entered into any supplier finance arrangements.

The following amendments published by the IASB had not yet been adopted by the European Union at 30 June 2024:

- Amendments to IAS 21 – Lack of Exchangeability. These amendments provide guidance on how to assess whether a currency is exchangeable and how to determine a spot exchange rate if it is not. They are effective for annual reporting periods beginning on or after 1 January 2025. At 30 June 2024, the Group is not affected by the proposed amendments, because its transactions are carried out in its functional currency, the euro.

- Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments. The IASB published these amendments to address the derecognition of a financial liability settled through electronic transfer and clarify the accounting treatment of a certain number of other transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2026.

- IFRS 18 – Presentation and Disclosure in Financial Statements. This new financial reporting standard is designed to improve income statement comparability and the transparency of the performance indicators defined by management. It requires companies to provide explanations of the management-defined indicators presented in the income statement, known as performance indicators. The new requirements will bring greater rigour and transparency to the presentation of these indicators, which will also be audited. The IASB expects IFRS 18 to be effective for annual reporting periods beginning on or after 1 January 2027.

- IFRS 19 – Subsidiaries without Public Accountability: Disclosures. IFRS 19 specifies reduced disclosure requirements that an eligible entity is permitted to apply instead of the disclosure requirements in other IFRSs. The aim of reducing the disclosure requirements for certain subsidiaries is to lower the cost of producing their financial statements. Compliance with IFRS 19 is optional and this option may be revoked at the entity's discretion. The standard is effective for annual reporting periods beginning on or after 1 January 2027.

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 that gives *de facto* control, 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 2024 represented around 10% of the total portfolio. The pipeline corresponds to the Scope office building (formerly Rives de Seine) on Quai de la Râpée in Paris (approximately 23,000 sq.m.), which was vacated by the tenant on 30 September 2022 and is now being extensively redeveloped. Site clearance and asbestos removal work has now been completed. The works contract with the general contractor was signed on 17 June, with delivery still scheduled for early 2026. In addition, a building permit has been applied for covering the refurbishment of the building at 104 boulevard Haussmann, following the early departure of the tenant, Wework, on 30 June.

No properties were purchased or sold during first-half 2024.

During the period, leases were signed on some 12,000 sq.m of mainly office space, at rents of around €1,000 per sq.m in Paris and €700 per sq.m in Neuilly-sur-Seine.

II - 2) Financing

In June 2024, SFL obtained a new €100 million bilateral credit line from BNP Paribas. The 5-year facility (with two 1-year extension options) replaces existing facilities. The interest spread is adjustable depending on SFL's performance in relation to three sustainable development criteria.

The Group also exercised the one-year extension options included in the facility agreements for its 2023 €835 million revolving credit facility and December 2022 €300 million Term Loan.

II - 3) Taxes

During the first half of 2024, SAS Pargal elected to be taxed as an SIIC, with retroactive effect from 1 January 2024. This election led to the recognition of an exit tax liability in the Group's accounts (see Note XI - 3), as well as the reversal of the SAS Pargal deferred taxes.

II - 4) Information system

SFL migrated to a new ERP (SAP 4/HANA) on 1 January 2024. The audited consolidated financial statements for the six months ended 30 June 2024 have been prepared using this new system.

II - 5) Subsequent events

None.

III - Effects of Climate Change

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

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

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

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

The main effects of 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 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 2024 are green bonds.

SFL's objective is to further strengthen the convergence between its environmental performance and its financial structure. These green financings 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 continue to turn more and more to this type of investment.

In addition to these ESG-labelled project finance instruments, SFL also holds bank financing instruments indexed to ESG performance objectives. During the first half of 2024, the Group renewed a €100 million revolving credit facility, raising to €1,570 million (or 84%) the amount of bank financing incorporating a margin adjustment mechanism based on ESG performance indicators (mainly greenhouse gas emission reduction targets).

III - 3) Climate change considerations taken into account in the appraisal value of investment property

The Group collected the information needed to produce the ESG grids for office properties developed by the *Association Française des Sociétés d'Expertise Immobilière* (AFREXIM) and sent it to the independent valuers.

This data enabled the valuers to gain a more detailed view of the assets, in terms of primary energy use, greenhouse gas emissions, and the results of measures to improve the properties' environmental performance, such as energy audits (currently, DPE energy performance certificate audits), performance in relation to the Carbon Risk Real Estate Monitor (CRREM) trajectory, and compliance with the decree on energy-saving objectives applicable to owners of office and retail properties (*Décret Tertiaire*).

Work is currently underway to identify opportunities for action to reduce energy use, asset by asset.

The valuers considered that, at this stage, insufficient information is available to rationalise the exact impact of climate-related aspects and other ESG components on market values, because many investors have only recently finalised their strategies and are only just beginning to collect performance indicators. Similarly, the existence or otherwise of a green premium for the most sustainable buildings is currently being monitored and discussed among market participants.

The independent valuers' appraisals took account of climate change aspects, based on current knowledge of the market and recent transactions.

III - 4) 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 2024 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 property 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.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	First-half 2024
Rental income	**92,731**	**27,246**	**1,601**	**-**	**121,578**
Gross property expenses	(21,002)	(7,007)	(607)	-	(28,616)
Property expenses recovered from tenants	17,719	6,728	664	-	25,110
Property expenses, net of recoveries	(3,283)	(280)	57	-	(3,505)
Net property rentals	**89,448**	**26,966**	**1,658**	**-**	**118,073**
Other income/(expense)	550	839	-	487	1,875
Depreciation, amortisation and impairment	-	-	-	(716)	(716)
Provision (expense)/reversals, net	4,855	-	(159)	(408)	4,288
Employee benefits expense	-	-	-	(8,441)	(8,441)
Other expenses	-	-	-	(5,275)	(5,275)
Profit/(loss) on disposal of investment property	-	-	-	-	-
Fair value adjustments to investment property	30,341	(1,195)	(1,733)	-	27,412
Operating profit/(loss)	**125,194**	**26,610**	**(234)**	**(14,352)**	**137,217**
Finance costs and other financial expenses	-	-	-	(31,435)	(31,435)
Financial income	-	-	-	3,093	3,093
Profit/(loss) before income tax	**125,194**	**26,610**	**(234)**	**(42,694)**	**108,876**
Income tax expense	-	-	-	23,585	23,585
Net profit/(loss)	**125,194**	**26,609**	**(234)**	**(19,109)**	**132,460**
Attributable to owners of the parent	**74,447**	**22,299**	**(234)**	**(19,815)**	**76,697**
Attributable to non-controlling interests	**50,748**	**4,310**	**-**	**706**	**55,763**
Other comprehensive income					
Actuarial gains and losses	-	-	-	14	14
Items that will not be reclassified to profit or loss	**-**	**-**	**-**	***14***	***14***
Valuation gains and losses on financial instruments (cash flow hedges)	-	-	-	10,936	10,936
Items that may be reclassified subsequently to profit or loss	**-**	**-**	**-**	***10,936***	***10,936***
Other comprehensive income	**-**	**-**	**-**	**10,951**	**10,951**
Comprehensive income/(expense)	**125,194**	**26,609**	**(234)**	**(8,158)**	**143,411**
Attributable to owners of the parent	**74,447**	**22,299**	**(234)**	**(8,864)**	**87,648**
Attributable to non-controlling interests	**50,748**	**4,310**	**-**	**706**	**55,763**

(in thousands of euros)	Paris CBD	Other Paris	Western Crescent	Corporate	30 June 2024
Segment assets	5,738,222	1,576,683	85,702	61,566	7,462,173
Total assets	**5,738,222**	**1,576,683**	**85,702**	**61,566**	**7,462,173**

The segment analysis for first-half 2023 was as follows:

(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 property	(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**

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. 2023	Increases	Decreases	Reclassifications	30 June 2024
Cost					
Computer software	8,741	-	-	-	8,741
Other	1,179	652	-	-	1,831
Amortisation and impairment					
Computer software	(8,453)	(62)	-	-	(8,515)
Other	(46)	-	-	-	(46)
Carrying amount	**1,421**	**591**	**-**	**-**	**2,012**

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. 2023	Increases	Decreases	Reclassifications	30 June 2024
Cost					
Owner-occupied property	21,238	-	-	-	21,238
Other property and equipment	10,000	709	-	-	10,709
Depreciation and impairment					
Owner-occupied property	(4,251)	(50)	-	-	(4,301)
Other property and equipment	(4,226)	(604)	-	-	(4,831)
Carrying amount	22,761	55	-	-	22,815

The fair value excluding transfer costs of owner-occupied property – corresponding to the Company's headquarters – was €50,707 thousand at 30 June 2024 and €51,437 thousand at 31 December 2023.

V - 3) Depreciation, amortisation and impairment

(in thousands of euros)	First-half 2024	First-half 2023
Amortisation and impairment of intangible assets	(62)	(492)
Depreciation and impairment of property and equipment	(654)	(193)
Total	(716)	(685)

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 is valued at six-monthly intervals by two firms of independent valuers. At 30 June 2024, the valuations were carried out by BNP Paribas Real Estate and CBRE.

The valuations are 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."

In accordance with this rotation principle, BNP Paribas Real Estate was appointed to replace Cushman & Wakefield (in charge of half-yearly appraisals at SFL since 2017), following the selection process described above. BNP Paribas Real Estate carried out an appraisal of part of the portfolio at 30 June 2024, alongside CBRE.
The share of the portfolio (based on appraisal values assuming 100% ownership, excluding transfer costs) valued by each firm is defined below:
- BNP Paribas Real Estate (in charge of appraisals at SFL since 2024): 44%
- CBRE (in charge of 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 and annual appraisals totalled less than €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. 2023	Acquisitions	Increases	Gains from remeasure-ment at fair value	Decreases	Losses from remeasurement at fair value	Reclassi-fications	30 June 2024
Investment property	7,156,813	-	29,024	110,843	-	(83,431)	-	7,213,249
Total	**7,156,813**	**-**	**29,024**	**110,843**	**-**	**(83,431)**	**-**	**7,213,249**

The “Increases” column above corresponds to subsequent expenditure (i.e. post-acquisition, mainly for work) added to the carrying amount of the assets.

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

(in thousands of euros)	30 June 2024	31 Dec. 2023
Appraisal value of investment property, excluding transfer costs	7,405,879	7,332,131
Deduction of owner-occupied property (see Note V - 2)	(50,707)	(51,437)
Adjustments to reflect specific lease terms and other adjustments	(141,924)	(123,881)
Reclassification of investment property held for sale	-	-
Fair value of investment property in the statement of financial position	**7,213,249**	**7,156,813**

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

Geographic area	Value excluding transfer costs 30 June 2024 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris CBD	5,738	ERV[2]	€780 - €1,150	€1,016
		Exit yield	3.90 - 5.00%	4.16%
		Discount rate	4.90 - 6.25%	5.11%
Other Paris	1,583	ERV[2]	€604 - €893	€739
		Exit yield	4.30 - 5.00%	4.75%
		Discount rate	5.30 - 6.25%	5.75%
Western Crescent	85	ERV[2]	€656 - €656	€656
		Exit yield	4.75 - 4.75%	4.75%
		Discount rate	5.75 - 5.75%	5.75%
Total	**7,406**			

[1] *Offices.*

[2] *Estimated rental value.*

Investment property valuation inputs used at 31 December 2023 were as follows for each asset class:

Geographic area	Value excluding transfer costs 31 December 2023 (in € millions, on a 100% basis)	Inputs	Range of values[1]	Weighted average[1]
Paris CBD	5,688	ERV[2]	€768 - €1,000	€928
		Exit yield	3.80% - 4.75%	4.16%
		Discount rate	4.80 - 5.75%	5.15%
Other Paris	1,559	ERV[2]	€607 - €837	€717
		Exit yield	4.20% - 4.90%	4.52%
		Discount rate	5.20 - 6.60%	5.74%
Western Crescent	85	ERV[2]	€607 - €607	€607
		Exit yield	4.45 - 4.45%	4.45%
		Discount rate	5.45 - 5.45%	5.45%
Total	**7,332**			

[1] *Offices.*

[2] *Estimated rental value.*

Sensitivity analysis

For each key parameter used for fair value measurement purposes, sensitivity tests were performed at 30 June 2024, using ranges reflecting reasonably possible variations given current macroeconomic conditions (notably taking into account forecasts for inflation and European Central Bank key interest rates, as well as historical trends in market rents for Paris-CBD properties over the last 18 months).

a/ Sensitivity of market rental values:

(in thousands of euros)	Reference value	+2.5%	+5%
Appraisal value of investment property, excluding transfer costs	7,405,879	7,651,662	7,775,176
Induced change in value	-	**+245,782**	**+369,296**

b/ Exit yield sensitivity:

(in thousands of euros)	-25bps	-15bps	Reference value	+15bps	+25bps
Appraisal value of investment property, excluding transfer costs	7,769,531	7,618,542	7,405,879	7,208,494	7,084,053
Induced change in value	**+363,651**	**+212,663**	-	**(197,386)**	**(321,837)**

c/ Discount rate sensitivity:

(in thousands of euros)	-25bps	-15bps	Reference value	+15bps	+25bps
Appraisal value of investment property, excluding transfer costs	7,564,204	7,500,411	7,405,879	7,312,658	7,250,584
Induced change in value	**+158,325**	**+94,531**	-	**(93,221)**	**(155,296)**

V - 5) Profit/(loss) on disposal of investment property

The Group did not dispose of any investment property in first-half 2024. In first-half 2023, the 6 Hanovre investment property was sold, leading to the recognition of a capital loss of €158 thousand.

VI - Operating Activities

VI - 1) Net property rentals

Accounting policy

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

Rental income

Rental income from investment property is recognised on a straight-line basis over the fixed lease term. The economic benefits are transferred on the effective date stipulated in the contract, or the date the tenant moves into the property if stipulated in the contract. Rental income also comprises income from external management contracts. Variable rents are not material.

Specific lease terms

Current leases include various specific terms concerning rent-free periods, step-up clauses, key money and eviction compensation. In compliance with IFRS 16, the effects of rent-free periods and step-up clauses are recognised over the non-cancellable lease term.

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

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the

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

Property expenses
An analysis of the principal versus agent distinction under IFRS 15 led to the conclusion that the Group acts as principal. Accordingly, gross property expenses are presented separately from property expenses recovered from tenants in the statement of comprehensive income.

The Group's principal business is the rental of office and retail properties which accounts for 98.5% of rental income. Rental income includes the €12,804 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 €4,693 thousand.

At 30 June 2024, 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	1,489,215	177,177	194,892	185,697	182,052	143,282	606,115

At 31 December 2023, 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	1,516,480	175,849	189,689	183,960	172,947	157,372	636,663

VI - 2) Other income

(in thousands of euros)	First-half 2024	First-half 2023
Own-work capitalised	459	1,043
Other income	1,416	3,976
Total	1,875	5,019

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 2024	31 Dec. 2023
Trade receivables	33,844	31,507
Provisions	(3,023)	(7,719)
Trade receivables	**30,821**	**23,787**
Prepayments to suppliers	16,667	1,468
Employee advances	8	3
Tax receivables (other than income tax)	7,501	7,590
Other operating receivables	-	457
Other receivables	-	55
Other receivables	24,175	9,573
Total	54,996	33,360

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 €14,507 thousand (31 December 2023: €16,390 thousand). Receivables do not bear interest.

Cost of risk can be analysed as follows:

(in thousands of euros)	First-half 2024	First-half 2023
Increases in provisions	(712)	(252)
Reversals of provisions	5,408	148
Bad debt write-offs, net of recoveries	-	(160)
Total	**4,696**	**(264)**
Rental income	121,578	111,351
Cost of risk as a % of rental income	**-3.86%**	**0.24%**

VI - 4) Other current and non-current assets

(in thousands of euros)	30 June 2024	31 Dec. 2023
Other trade receivables	127,417	112,880
Total other non-current assets	**127,417**	**112,880**
Income tax prepayments	550	3,484
Current prepayments	322	1,178
Total other current assets	**871**	**4,662**

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 2024	31 Dec. 2023
Trade payables	33,290	7,787
Amounts due within one year on asset acquisitions	421	20,288
Total	**33,711**	**28,075**

VI - 6) Other current and non-current liabilities

(in thousands of euros)	30 June 2024	31 Dec. 2023
Deposits	49,107	50,157
Accrued taxes	34,292	-
Total other non-current liabilities	**83,399**	**50,157**
Deposits	2,388	4,200
Customer prepayments	5,327	30,970
Accrued employee benefits expense	5,288	9,542
Accrued taxes	28,317	3,242
Other liabilities	2,570	16,423
Accruals	13,406	1,977
Total other current liabilities	**57,296**	**66,355**

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.

Tax liabilities at 30 June 2024 correspond mainly to the exit tax payable by SAS Pargal following its election to be taxed as an SIIC, made in April 2024 with retroactive effect from 1 January 2024 (see Note XI - 3).

VI - 7) Other expenses

(in thousands of euros)	First-half 2024	First-half 2023
Fees	(1,588)	(977)
Taxes other than on income	(786)	(804)
Other	(2,902)	(2,246)
Total	(5,275)	(4,027)

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 2024	31 Dec. 2023	30 June 2024	31 Dec. 2023
			Short-term portion		Long-term portion	
Bonds						
€500 million bond issue, 2021-2028	0.50%	21 April 2028	583	2,087	599,000	599,000
€500 million bond issue, 2020-2027	1.50%	5 June 2027	640	5,155	599,000	599,000
€500 million bond issue, 2018-2025	1.50%	29 May 2025	500,678	4,447		500,000
Bank loans						
BNPP syndicated term loan	3-month Euribor + margin	11 Dec. 2029	291	438	300,000	300,000
Negotiable European commercial paper (NEU CP)	Fixed rate (payable in advance)	Within 1 year	305,743	292,000	-	-
Other	1-Month/3-Month Euribor + margin	Within 1 year	415,924	347,410	-	-
Hedging instruments with a negative fair value			-	-	-	5,554
Bank overdrafts	Various	-	862	382	-	-
Impact of deferred recognition of debt arranging fees		-	(7,425)	(7,491)	(17,810)	(20,328)
Total			1,217,297	644,429	1,480,190	1,983,226

The following table analyses borrowings by maturity:

(in thousands of euros)	30 June 2024	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 Dec. 2023
Bonds	1,699,901	501,901	1,198,000	-	1,709,689
BNPP syndicated term loan	300,291	291	-	300,000	300,438
NEU CP	305,743	305,743	-	-	292,000
Other	415,924	415,924	-	-	347,410
Fair value of hedging instruments	-	-	-	-	5,554
Bank overdrafts	862	862	-	-	382
Deferred debt arranging fees	(25,235)	(7,425)	(17,810)	-	(27,818)
Total	2,697,487	1,217,297	1,180,190	300,000	2,627,655

At 30 June 2024, the main covenants and acceleration clauses, which were applicable to all the bank credit lines, were as follows:

Applicable ratios	Actual ratios at 30 June 2024	Actual ratios at 31 Dec. 2023	Main acceleration clauses
Loan-to-value (LTV) <= 50%	34.0%	32.5%	Default Termination of operations
Interest cover >= 2x	3.5	3.7	Bankruptcy proceedings
Secured LTV <= 20%	0.0%	0.0%	Material adverse event
Unrestricted property portfolio value >= €2bn	€7.9bn	€7.8bn	

The Group was not in breach of any of its financial covenants at 30 June 2024.

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

(in thousands of euros)	First-half 2024	First-half 2023
Interest on bank loans, bonds and commercial paper	(31,916)	(24,333)
Interest on hedging instruments	3,571	259
Other financial expenses	(3,907)	(4,349)
Capitalised interest expense	817	1,972
Finance costs and other financial expenses	**(31,435)**	**(26,452)**
Interest income	158	368
Other financial income	1,019	-
Discounting adjustments to receivables and payables	1,916	-
Financial income	**3,093**	**368**
Finance costs and other financial income and expense	(28,342)	(26,084)

Other financial expenses relate to the deferral of debt issuance costs and bond issue premiums.

Capitalised interest expense corresponds to interest capitalised at the rate of 2.07% over the restructuring period for the Scope building (and the Louvre Saint-Honoré building, in 2023).

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 2024, 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 came 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.

- Counterparty: CACIB. 5-year interest rate swap on a notional amount of €100,000 thousand, whereby CACIB pays the 3-month Euribor and SFL pays a fixed rate of 2.3750%. The swap will come into effect on 28 January 2025 and is a cash flow hedge qualifying for hedge accounting.

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

(in thousands of euros)	Notional amount	Maturity	30 June 2024	31 Dec. 2023
CIC swap at 2.6250%	100,000	Nov. 2027	773	(993)
Société Générale swap at 2.4920%	100,000	Dec. 2029	1,254	(935)
CIC swap at 2.4240%	100,000	Dec. 2029	1,592	(562)
Cadif swap at 2.4925%	200,000	Dec. 2029	2,505	(1,874)
Cadif swap at 2.375%	100,000	Jan. 2030	1,158	(1,190)
Total			**7,282**	**(5,554)**

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 was an increase of €10,936 thousand in first-half 2024 (first-half 2023: decrease of €3,725 thousand).

(in thousands of euros)	First-half 2024	First-half 2023
Interest rate hedges	10,936	(3,725)
Total	**10,936**	**(3,725)**

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:

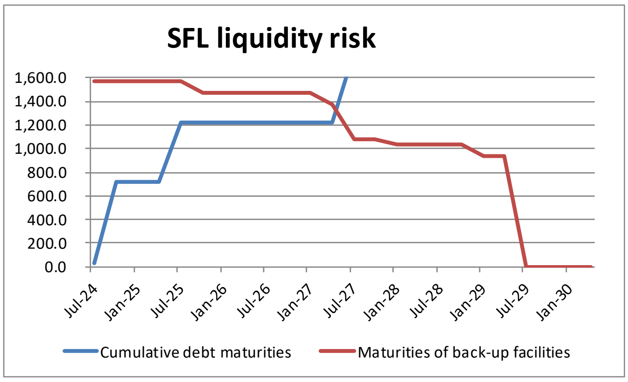
(in thousands of euros)	Date on which the instrument was unwound	Gains/losses accumulated in equity 31 Dec. 2023	Reclassified to profit or loss for the period	Gains/losses accumulated in equity 30 June 2024
CA-CIB Nov. 2021 swap at -0.3475%	Oct. 2021	567	(100)	467
CIC Nov. 2021 swap at -0.4525%	Oct. 2021	862	(152)	710
CIC collar -0.25% cap/-0.52% floor	April 2022	6,700	(865)	5,836
Société Générale collar -0.11% cap/-0.60% floor	June 2022	4,173	(782)	3,391
Total		12,302	(1,899)	10,403

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 2024, SFL had access to confirmed undrawn lines of credit representing €1,570 million, unchanged from 31 December 2023. 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 April 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.

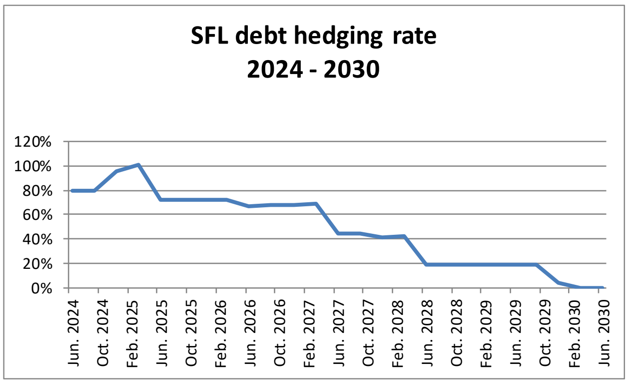
3/ Market risk

The Group did not have any exposure to currency risk at 30 June 2024. 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 2024, 81% 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 2.06% at 30 June 2024, versus 2.07% at 31 December 2023.

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 2.11%, driving up finance costs by €653 thousand or 2.1%. 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 2.02%, reducing finance costs for the period by €653 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 €6,518 thousand at 30 June 2024, while a 25-basis point decrease would have had the effect of reducing their fair value by €6,620 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 2024.

(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)	306,500	-	-	-	-	-	306,500
Other	415,000	-	-	-	-	-	415,000
BNPP syndicated term loan	-	-	-	-	-	300,000	300,000
Bank overdrafts	863	-	-	-	-	-	863
Total floating rate debt	**722,363**	**-**	**-**	**-**	**-**	**300,000**	**1,022,363**

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 2024 was €1,586,244 thousand, as follows:

(in thousands of euros)	Notional amount	Maturity	30 June 2024	31 Dec. 2023
May 2018 bonds	500,000	May 2025	488,858	486,505
June 2020 bonds (+ May 2022 tap)	599,000	June 2027	562,952	574,929
Oct. 2021 bonds (+ April 2022 tap)	599,000	April 2028	534,434	538,142
Total			**1,586,244**	**1,599,576**

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 2024	31 Dec. 2023
Deposits	237	237
Interest rate hedges	7,282	-
Total non-current financial assets	**7,519**	**237**
Interest rate hedges	519	-
Other	-	612
Total current financial assets	**519**	**612**

At 30 June 2024, interest rate hedging instruments held by the Group had a positive fair value of €7,282 thousand.

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 2024	31 Dec. 2023
Cash and cash equivalents	6,238	50,965
Short-term investments	26,537	45,811
Total	**32,775**	**96,776**

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 2024, the Company's share capital amounted to €85,771 thousand, represented by 42,885,672 ordinary shares with a par value of €2. Following a share issue paid up by capitalising reserves, at 30 June 2024, the capital stood at €85,902 thousand, divided into 42,950,800 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. 2023	Increases	Decreases	30 June 2024
Number of treasury shares	2,883	3,844	(4,799)	1,928
Value (in thousands of euros)	571	259	(336)	494

VIII - 3) Dividends

(in thousands of euros)	First-half 2024		First-half 2023	
	Total payout	Per share	Total payout	Per share
Dividends paid out during the period	103,076	€2.40	180,100	€4.20
Total	103,076	€2.40	180,100	€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 2024	First-half 2023
Profit/(loss) used to calculate basic earnings per share	76,697	(177,474)
Average number of ordinary shares	42,918,236	42,878,686
Average number of treasury shares	(2,671)	(35,983)
Average number of ordinary shares excluding treasury shares	**42,915,565**	**42,842,703**
Basic earnings per share	**€1.79**	**(€4.14)**
Profit/(loss) used to calculate basic earnings per share	76,697	(177,474)
Average number of ordinary shares	42,918,236	42,878,686
Average number of treasury shares	(2,671)	(35,983)
Average potential ordinary shares corresponding to dilutive instruments	(24,906)	61,452
Diluted weighted average number of ordinary shares excluding treasury shares	**42,890,659**	**42,904,155**
Diluted earnings per share	**€1.79**	**(€4.14)**

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) 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 2024
Rental income	5,134	2,981	3,084	5,466	16,664
Fair value adjustments to investment property	12,692	1,177	741	23,970	38,580
Finance costs and other financial income and expense	131	141	213	339	824
Other	(335)	230	(47)	(153)	(306)
Total	17,621	4,529	3,991	29,622	55,763

The first-half 2023 breakdown was 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)**

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. 2023	Increases	Decreases	*o/w utilisations*	Actuarial gains and losses	Reclassifications	Other	30 June 2024
Provisions for employee benefits	1,348	421	(30)	*(30)*	(14)	(457)	-	1,268
Provisions for taxes other than on income	-	-	-	-	-	-	1,150	1,150
Long-term provisions	**1,348**	**421**	**(30)**	***(30)***	**(14)**	**(457)**	**1,150**	**2,417**
Provisions for employee benefits	836	-	(836)	*(822)*	-	457	-	457
Short-term provisions	**836**	**-**	**(836)**	***(822)***	**-**	**457**	**-**	**457**
Total	**2,184**	**421**	**(866)**	***(852)***	**(14)**	**-**	**1,150**	**2,874**

Provisions for employee benefits include provisions for length-of-service awards payable to employees on retirement and jubilees for €1,048 thousand. See Note X - 2 for more details.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €39.2 thousand at 30 June 2024 and €25.3 thousand at 31 December 2023.

IX - 2) Net change in provisions and impairment

(in thousands of euros)	First-half 2024	First-half 2023
Charges to provisions for impairment of current assets	(712)	(252)
Charges to provisions for operating contingencies and charges	(325)	(258)
Charges to provisions for other contingencies and charges	(96)	(110)
Total charges	**(1,134)**	**(619)**
Reversals of provisions for impairment of current assets	5,408	148
Reversals of provisions for other contingencies and charges	14	205
Total reversals	**5,422**	**353**
Total	**4,288**	**(267)**

X - Remuneration and Other Employee Benefits

X - 1) Employee benefits expense

Employee benefits expense breaks down as follows:

(in thousands of euros)	First-half 2024	First-half 2023
Wages and salaries	(4,167)	(3,732)
Payroll taxes	(2,073)	(1,738)
Other employee benefits	(1,764)	(1,755)
Statutory and discretionary profit-sharing	(437)	(597)
Total	**(8,441)**	**(7,823)**

The Group had 75 administrative staff (including two corporate officers) at 30 June 2024, versus 78 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.

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

(in thousands of euros)	First-half 2024	First-half 2023
Projected benefit obligation at beginning of period	**997**	**1,036**
Benefits paid during the period	(30)	(66)
Service cost	63	80
Interest cost	33	31
Actuarial gains and losses	(14)	(151)
Projected benefit obligation at end of period	**1,048**	**930**

The projected benefit obligation is calculated at six-monthly intervals based on actuarial assumptions, including a discount rate of 3.47% (31 December 2023: 3.44%) and a 2.30% rate of future salary increases (31 December 2023: 2.30%). Actuarial gains and losses are recognised in “Other comprehensive income”.

A 25-bps reduction in the discount rate at 30 June 2024 would lead to a €24 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 2024

	Plan no. 5	Plan no. 6	Plan no. 6	Plan no. 7	Plan n° 8
Date of shareholder authorisation	20 April 2018	15 April 2021	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	14 Feb. 2024
Initial target number of shares	33,460	30,624	4,980	22,500	31,507
Initial expected vesting rate	100.00%	100.00%	100.00%	100.00%	100.00%
Initial number of shares expected to vest	33,460	30,624	4,980	22,500	31,507
Fair value per share	€54.59	€73.37	€72.91	€72.91	€40.24
Rights cancelled/forfeited	(896)	(975)	(1,040)	-	(2,321)
Expected vesting rate at end of period	200.00%	150.00%	100.00%	100.00%	100.00%
Number of shares expected to vest at end of period	**65,128**	**44,474**	**3,996**	**22,500**	**29,186**

<u>Main features of the plans</u>

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 one to 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 2024, the rates applied were 150% for the 2022 plan (probable ranking: no. 2), 100% for the 2023 plan (probable ranking: no. 3) and 100% for the 2024 plan.

During the period, a total of 65,128 performance shares vested under 2021 Plan no. 5.

The cost of performance share plans recognised during the period amounted to €1,764 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 2024	First-half 2023
Short-term benefits, excluding payroll taxes(1)	2,466	2,526
Payroll taxes on short-term benefits	1,716	1,814
Share-based payments(2)	-	852
Directors' fees	17	90
Total	**4,199**	**5,282**

(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 first-half 2024 amounted to €51,054 thousand (first-half 2023: €1,246 thousand). The amount for first-half 2024 corresponds for the most part to the exit tax payable by SAS Pargal following its election to be taxed as an SIIC (see Note XI - 3).

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.

SAS Pargal's election for taxation as an SIIC led to the elimination of the tax bases previously used to determine the SIICs' deferred tax assets and liabilities. The only remaining deferred tax assets and liabilities concern companies that are not eligible for taxation as a SIIC (mainly the businesses of SAS Parhaus and Parchamps).

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. 2023	Reclassifications	Other	Income statement	30 June 2024
Fair value adjustments to investment property	(134,382)	-	-	62,113	(72,269)
Adjustment of depreciation and amortisation	(33,375)	-	-	9,941	(23,434)
Adjustment of rental income	(4,635)	-	1,150	3,485	-
Capitalisation of interest expense and transaction costs	(521)	-	-	-	(521)
Other	(42)	-	-	(901)	(943)
Net	**(172,955)**	**-**	**1,150**	**74,638**	**(97,167)**
Of which deferred tax assets	-	-	-	-	-
Of which deferred tax liabilities	(172,955)	-	1,150	74,638	(97,167)

Income tax for first-half 2024 represented a tax benefit of €74,638 thousand. The difference between theoretical tax and actual tax is mainly due to the exemption linked to the SIIC regime.

XI - 3) Exit tax liability

Following its election for taxation as an SIIC, SAS Pargal became liable for an exit tax, payable in four annual instalments between 2024 and 2027. This liability is reported in the Group's consolidated financial statements at its discounted present value. At 30 June 2024, the discounted amounts of the various instalments are as follows:

Due	2024	2025	2026	2027	Total
Amount payable	**11,916**	**11,670**	**11,429**	**11,193**	**46,208**

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 FDG[1])	63,589	9,397	14,485	39,706
Guarantees received from suppliers	9,527	9,512	15	-
Total commitments received	**73,116**	**18,909**	**14,500**	**39,706**

[1] FDG: Independent first demand guarantee

Contractual redevelopment and renovation obligations

At 30 June 2024, the Group's contractual commitments relating to investment property undergoing renovation totalled €28,569 thousand (€39,453 thousand at 31 December 2023), of which €5,720 thousand concerned the Louvre Saint-Honoré and Scope (formerly Rives de Seine) properties.

XII - 2) Off-balance sheet financing commitments

At 30 June 2024, 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	145,000	-	145,000	-
Syndicated loan	835,000	-	835,000	-
BNPP	100,000	-	100,000	-
BECM	140,000	-	140,000	-
SG	100,000	-	100,000	-
Intesa Sanpaolo	100,000	-	100,000	-
Caixabank	100,000	-	100,000	-
Total	**1,570,000**	**-**	**1,570,000**	**-**

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 2024, total commitments for the payment of compensation amounted to €1,843 thousand (€1,900 thousand at 31 December 2023).

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 property and cash and cash equivalents

(in thousands of euros)	First-half 2024	First-half 2023
Acquisitions of and improvements to investment property		
Acquisitions	(2,468)	(1,533)
Work	(26,556)	(27,524)
Total	**(29,024)**	**(29,057)**
Cash and cash equivalents at end of period		
Cash at bank and in hand	6,238	54,604
Short-term investments	26,537	2,200
Total	**32,775**	**56,804**

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. 2023	Cash flows			Non-cash changes			30 June 2024
		Proceeds from new borrowings	Repayments of borrowings	Interest paid[1]	Deferred recognition of debt arranging fees	Fair value adjustments	Other	
Borrowings (excluding accrued interest)	1,970,182	-	-	-	2,583	-	-	1,972,765
Accrued interest on borrowings and derivatives	14,538	-		(12,178)	-	-	-	2,360
NEU Commercial Paper	292,000	773,500	(759,000)	-	-	-	-	306,500
Derivative instruments (liabilities)	5,554	-	-	-	-	(5,554)	-	-
Other	345,000	1,500,000	(1,430,000)	-	-	-	-	415,000
Bank overdrafts (including interest)	382	480	-	-	-	-	-	862
Total	**2,627,655**	**2,273,980**	**(2,189,000)**	**(12,178)**	**2,583**	**(5,554)**	**-**	**2,697,487**

[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 2024:

Consolidated companies	Registration no.	Percentage (%)	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS Parchamps	410 233 498	100	100
SAS Pargal	428 113 989	100	100
SAS 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 2024. 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

Commissariat aux Comptes
Compagnie Régionale de Versailles et du Centre

Deloitte & Associés

6, place de la Pyramide

92908 Paris-La-Défense Cedex

S.A.S au capital de 2 188 160 €

572 028 041 RCS 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 2024 interim financial information

Six months ended 30 June 2024

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 the company for the six months ended 30 June 2024;

- 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.

Conclusions concerning 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.

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, 23 July 2024

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Jean-Baptiste Deschryver	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 2024 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, 23 July 2024

Dimitri Boulte
Chief Executive Officer

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