SOCIETE FONCIERE LYONNAISE

INTERIM FINANCIAL REPORT

Six months ended 30 June 2013

Contents

Interim Management Report

As of 30 June 2013, the composition of the Board of Directors of SFL was as follows:

Chairman of the Board:
- Juan José Brugera Clavero:

Directors:
- Jean Arvis
- Jacques Calvet
- Anne-Marie de Chalambert
- Jean-Jacques Duchamp
- Carlos Fernandez-Lerga Garralda
- Carmina Gañet Cirera
- Aref Lahham
- Bertrand Letamendia,
- Carlos Losada Marrodan
- Luis Maluquer Trepat
- Pere Viñolas Serra,
- Anthony Wyand
- Reig Capital Group Luxembourg SARL (represented by Alejandro Hernández-Puértolas)

The financial statements for the six months ended 30 June 2013 were approved by the Board of Directors of SFL at its meeting held on 23 July 2013.

These financial statements show a 5.7% rise in property rentals on a comparable portfolio basis, and a 4.3% increase in the portfolio's appraisal value.

This performance validates the business model of SFL, which owns and manages prime properties in Paris, and confirms the resilience of property rentals in this market segment.

Consolidated data (€ millions)

	First-half 2013	First-half 2012
Property rentals	74.6	74.6
Operating profit before disposal gains and losses and fair value adjustments to investment property	59.8	60.6
Attributable net profit	82.2	154.8
EPRA earnings	29.7	34.6

	30 June 2013	31 December 2012
Attributable equity	2,169	2,137
Consolidated portfolio value excluding transfer costs	3,745	3,882
Consolidated portfolio value including transfer costs	3,936	4,072
EPRA NNNAV	2,134	2,108
EPRA NNNAV per share	€45.9	€45.3

Results

Consolidated data have been prepared in accordance with IFRS, using the fair value model to measure investment properties.

- Property rentals for the period amounted to €74.6 million, on a par with first-half 2012.
  On a comparable portfolio basis, rentals grew by €3.3 million or 5.7%, reflecting leases signed during 2012 and the impact of applying rent indexation clauses. The underlying increase continues a trend observed in each reporting period since 2011, despite a weakened economic environment in the real estate sector.
  Properties taken off the market for redevelopment in 2012-2013 reduced property rentals by €5.3 million, due in particular to the launch of renovation work at Ilot Richelieu in August 2012 and the renovation of offices in the Louvre building, partially offset by the delivery of the Ozone building in late 2012.
  Changes in the portfolio structure led to a €2.1 million net increase in rentals, reflecting the full consolidation of Parholding as from 31 December 2012, which added €6.5 million, and the sale of the Mandarin Oriental building in February 2013, which reduced rentals by €4.4 million.

- Property expenses net of recoveries stood at €6.4 million in the first-half of 2013 compared with €6.7 million in the year-earlier period.

- Other income represented €0.7 million in first-half 2013, versus €1.9 million in the same period of 2012.

- Employee benefits expense and other expenses totalled €10.0 million in first-half 2013 up from €9.1 million in first-half 2012.

- Operating profit before disposal gains and losses and fair value adjustments to investment properties amounted to €59.8 million in first-half 2013 versus €60.6 million in the year-earlier period.

- The portfolio's appraisal value rose by 4.3% between 31 December 2012 and 30 June 2013 on a comparable portfolio basis. The increase led to the recognition of positive fair value adjustments to investment properties of €79.7 million for first-half 2013, versus a positive €136.6 million in the first six months of 2012.

- Associates – corresponding to 29.6%-owned SIIC de Paris – contributed €11.6 million to first-half 2013 profit, €6.7 million of which was included in EPRA earnings. The comparable figures for the year-earlier period were €9.3 million and €6.9 million.

- Finance costs and other financial income and expenses represented a net expense of €35.0 million in first-half 2013 versus €35.4 million in the year earlier period. Fair value adjustments to financial instruments represented a negative €8.7 million versus a negative €7.1 million in first-half 2012. Recurring finance costs were €2.0 million lower, chiefly due to the decline in the average cost of debt.

- After taking into account these items, the Group reported attributable net profit for the period of €82.2 million, compared with €154.8 million for first-half 2012.

- Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, underlying attributable net profit (EPRA earnings) came in at €29.7 million for first-half 2013 compared with €34.6 million for the year-earlier period.

First-Half 2013 Business Review

Rental operations
In a sluggish rental market, around 27,000 sq.m. were let or re-let in the first six months of the year, mainly the signature of a new lease with Natixis for the Rives de Seine building. Nominal rent averaged €506 per sq.m. for offices, corresponding to an effective rent of €463 per sq.m. The occupancy rate (excluding buildings undergoing renovation) for the portfolio stood at 91.8% at 30 June 2013, compared with 95.3% six months earlier. The increase in vacancy was due mainly to the first-quarter delivery of 6,500 sq.m. of entirely renovated offices in the Edouard VII building, which are currently being let.
The secure revenue stream improved following the signature of long-term leases with SFL's two largest customers: La Mondiale for 12,000 sq.m. in 2012 and Natixis for 22,700 sq.m. in 2013.

Development operations
Capitalized work carried out in first-half 2013 totalled €65 million and mainly concerned the In/Out project in Boulogne, which will be delivered in September, and the 83 rue de Richelieu building, where structural work began during the first half and which is scheduled for delivery in mid-2015. At 30 June 2013, the development pipeline totalled around 90,000 sq.m., comprised mainly of the two previously mentioned operations as well as additional space in the Louvre and 90 Champs-Elysées buildings.

Portfolio operations
In accordance with the sales agreement signed in November 2012, SFL sold the Mandarin Oriental building in February 2013 for a net sale price of €290 million. This was about 30% more than the total cost of the renovated building and 15% more than its appraisal value at 30 June 2012, the last appraisal before the transaction was announced.

No new properties were purchased during first-half 2013.

Financing

Net debt at 30 June 2013 amounted to €1,401 million, compared with €1,547 million at 31 December 2012, representing a loan-to-value ratio of 33.1% including the minority interest held in SIIC de Paris. At that date, SFL also had €725 million in back-up lines of credit. At 30 June 2013, the average cost of debt after hedging was 3.5% and the average maturity was 3.5 years.

On 4 July 2013, a new €400-million syndicated revolving line of credit was obtained to replace an existing €300-million facility, raising total available credit facilities to €825 million.

Net asset value

The consolidated market value of the portfolio at 30 June 2013 was €3,745 million excluding transfer costs versus €3,882 million at 31 December 2012. The decline was due to the sale of the Mandarin Oriental building. On a comparable basis, the portfolio value increased 4.3% from 31 December 2012.

The portfolio comprises 18 prime properties consisting mainly of offices, located in Paris's Central Business District (92%) and in the most attractive parts of the Western Crescent (8%).

The average rental yield stood at 5.2% at 30 June 2013 compared with 5.3% at 31 December 2012.

EPRA NNNAV stood at €2,134 million or €45.9 per share at 30 June 2013 compared with €45.3 per share at 31 December 2012, an increase of 1.2%.

RISK FACTORS

The risk factors described below are those which could have a material adverse effect on SFL, its business, financial position, results or share price and which are important to take into account when making investment decisions.
Risk factors are discussed **on pages 24 to 31 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report** filed with the Autorité des Marchés Financiers (AMF) on 10 April 2013.
The information in the 2012 Annual Report is incorporated here by reference, with further detail provided where necessary to describe material changes in these risk factors.

There may be other risks in addition to those discussed below which are not known to the Company at this point in time or which may not be considered material now but could turn out to be material in the future.

1. Liquidity risk

Liquidity risk is discussed in the **Notes to the Consolidated Financial Statements (30 June 2013) on page 36 of this document (see note 6-30 "Financial instruments").**

2. Counterparty risk

Counterparty risk is discussed in the **Notes to the Consolidated Financial Statements (30 June 2013) on page 37 of this document (see Note 6-30 "Financial instruments").**

3. Currency risk

SFL had no exposure to currency risks at 30 June 2013.

4. Interest rate risk

Interest rate risk is discussed in the **Notes to the Consolidated Financial Statements (30 June 2013) on page 36 of this document (see Note 6-30 "Financial instruments", 3/ "Market risks").**

a – Objectives and strategy
Risk management objectives and strategy are discussed in the **Notes to the Consolidated Financial Statements (30 June 2013) on page 37 of this document (see Note 6-30 "Financial instruments").**

b – Risk assessment
Risk assessment is discussed in the **Notes to the Consolidated Financial Statements (30 June 2013) on page 37 of this document (see Note 6-30 "Financial instruments").**

5. Risks associated with changes in the economic environment and the property market

These risks are discussed in **on page 26 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

6. Risks associated with a highly competitive environment

These risks are discussed **on page 26 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

7. Tenant risks

These risks are discussed **on page 26 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

8. Risks associated with the availability and cost of financing

These risks are discussed **on pages 26 and 27 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

9. Risks associated with the loss of key personnel

These risks are discussed **on page 27 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

10. Risks associated with subcontractors and other service providers

These risks are discussed **on page 27 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

11. Risks associated with the regulatory environment

These risks are discussed **on pages 27 and 28 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

12. Risks associated with government-related procedures

These risks are discussed **on page 28 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

13. Risks of neighbourhood complaints

These risks are discussed **on page 28 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

14. Risks associated with the majority shareholder

These risks are discussed **on page 28 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

15. Risks associated with the SIIC tax regime

These risks are discussed **on pages 28 to 31 of the 2012 Financial and Legal Report** contained in the **2012 Annual Report.**

As of the date this document was prepared, the Company had not identified any other risks or uncertainties that would be likely to be material in the following six months.

RELATED-PARTY TRANSACTIONS

Related party transactions are discussed in the **Notes to the Consolidated Financial Statements (30 June 2013) on page 44 of this document (see Note 6-38 "Related-party information").**

SOCIÉTÉ FONCIÈRE LYONNAISE
SIX MONTHS ENDED 30 JUNE 2013

Financial Statements

Contents

The interim consolidated financial statements were approved for publication by the Board of Directors on 23 July 2013.

A – Consolidated Statement of Financial Position

ASSETS	Notes Section E	30 June 2013	31 December 2012
(in thousands of euros)			
Intangible assets	6-1	1,262	813
Property and equipment	6-2	23,018	23,338
Investment properties	6-3	3,681,990	3,528,807
Investments in associates	6-4	290,807	286,560
Financial assets	6-5	847	770
Other assets	6-6	10,227	5,352
Total non-current assets		**4,008,151**	**3,845,640**
Investment properties held for sale	6-7	-	286,777
Inventories and work in progress		-	-
Trade and other receivables	6-8	74,452	59,435
Other assets	6-9	4,238	1,417
Cash and cash equivalents	6-10	25,110	24,918
Total current assets		**103,800**	**372,547**
Total assets		**4,111,951**	**4,218,187**

EQUITY AND LIABILITIES	Notes Section E	30 June 2013	31 December 2012
(in thousands of euros)			
Share capital		93,058	93,058
Reserves		1,993,510	1,760,385
Profit for the period		82,158	283,189
Equity attributable to owners of the parent		**2,168,726**	**2,136,632**
Minority interests		212,809	198,031
Total minority interests		**212,809**	**198,031**
Total equity	6-11	**2,381,535**	**2,334,663**
Long-term borrowings and derivative instruments	6-12	1,297,571	1,507,746
Long-term provisions	6-13	612	1,861
Deferred tax liabilities	6-14	130,018	117,060
Accrued taxes	6-15	1,753	1,717
Other current liabilities	6-16	15,538	14,715
Total non-current liabilities		**1,445,492**	**1,643,099**
Trade and other payables	6-17	47,722	42,638
Short-term borrowings and other interest-bearing debt	6-12	200,972	154,972
Short-term provisions	6-13	524	316
Other current liabilities	6-18	35,707	42,499
Total current liabilities		**284,925**	**240,425**
Total equity and liabilities		**4,111,951**	**4,218,187**

B – Consolidated Statement of Comprehensive Income

(in thousands of euros)	Notes Section E	First-half 2013	First-half 2012
Property rentals		74,634	74,571
Property expenses, net of recoveries		(6,373)	(6,708)
Net property rentals	6-19	**68,261**	**67,863**
Service and other revenues	6-20	28	219
Other income	6-21	694	1,948
Depreciation and amortisation expense	6-22	(441)	(421)
Provision reversals/(expense), net	6-23	1,346	110
Employee benefits expense	6-24	(5,832)	(5,069)
Other expenses	6-25	(4,214)	(4,006)
Profit/(loss) on disposal of investment properties	6-26	(195)	(4)
Gains and losses from remeasurement at fair value of investment properties	6-27	79,657	136,613
Operating profit		**139,304**	**197,253**
Share of profits of associates	6-28	11,583	9,310
Finance costs and other financial expenses	6-29	(31,892)	(33,978)
Financial income	6-29	5,673	5,733
Gains and losses from remeasurement at fair value of financial instruments	6-30	(8,724)	(7,115)
Discounting adjustments to receivables and payables		(43)	(79)
Provision expense, net - financial assets	6-31	0	0
Profit before income tax		**115,901**	**171,124**
Income tax expense	6-32	(16,729)	(7,087)
Profit for the period		**99,172**	**164,037**
Attributable to owners of the parent		**82,158**	**154,772**
Attributable to non-controlling interests	6-33	**17,014**	**9,265**
Other comprehensive income			
Actuarial gains and losses		92	
Deferred tax effect			
Items in the accounts of associates that will not be reclassified to profit or loss			
Items that will not be reclassified to profit or loss		***92***	***0***
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)		14,894	(9,217)
Deferred tax impact of valuation gains and losses on financial instruments taken to equity		(914)	(81)
Items in the accounts of associates that may be reclassified subsequently to profit or loss		1,731	
Items that may be reclassified subsequently to profit or loss		***15,711***	***(9,298)***
Other comprehensive income		**15,803**	**(9,298)**
Comprehensive income		**114,975**	**154,738**
Attributable to owners of the parent		**97,090**	**145,474**
Attributable to non-controlling interests		17,885	9,265

		First-half 2013	First-half 2012
Earnings per share	6-34	€1.78	€3.36

C – Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Revaluation reserve	Treasury shares	Cash flow hedges	Other reserves	Profit for the period	Attributable to owners of the parent	Non-controlling interests
Equity at 31 December 2011	**93,058**	**1,084,109**	**22,620**	**(19,954)**	**(37,001)**	**624,577**	**180,891**	**1,948,300**	**89,116**
Movements for the period									
Profit for the period							154,772	154,772	9,265
Other comprehensive income, net of tax					(9,298)			(9,298)	
Comprehensive income	**0**	**0**	**0**	**0**	**(9,298)**	**0**	**154,772**	**145,474**	**9,265**
Appropriation of profit						180,891	(180,891)	0	
Treasury share transactions				889				889	
Gains and losses on sales of treasury shares				(32)				(32)	
Reclassification of hedging instruments						4,701		4,701	
Impact of associates						375		375	
Share-based payments						141		141	
Dividends paid to owners of the parent						(64,475)		(64,475)	(1,411)
Changes in scope of consolidation									
Equity at 30 June 2012	**93,058**	**1,084,109**	**22,621**	**(19,095)**	**(46,299)**	**746,208**	**154,772**	**2,035,375**	**96,970**
Movements for the period									
Profit for the period							128,417	128,417	6,999
Other comprehensive income, net of tax					(3,917)			(3,917)	
Comprehensive income	**0**	**0**	**0**	**0**	**(3,917)**	**0**	**128,417**	**124,500**	**6,999**
Appropriation of profit		(21,219)				21,219	0	(0)	
Treasury share transactions				962				962	
Gains and losses on sales of treasury shares				(155)				(155)	
Reclassification of hedging instruments					9,645	(4,701)		4,944	
Impact of associates						2,174		2,174	
Share-based payments						187		187	
Dividends paid to owners of the parent		(32,262)				0		(32,262)	0
Changes in scope of consolidation					905			905	94,062
Equity at 31 December 2012	**93,058**	**1,030,629**	**22,621**	**(18,289)**	**(39,666)**	**765,089**	**283,189**	**2,136,631**	**198,031**
Movements for the period									
Profit for the period							82,158	82,158	17,014
Other comprehensive income, net of tax					14,840	92		14,932	871
Comprehensive income	**0**	**0**	**0**	**0**	**14,840**	**92**	**82,158**	**97,090**	**17,885**
Appropriation of profit						283,189	(283,189)	0	
Treasury share transactions				(751)				(751)	
Gains and losses on sales of treasury shares				4				4	
Share-based payments						273		273	
Dividends paid to owners of the parent		(64,520)						(64,520)	(3,107)
Equity at 30 June 2013	**93,058**	**966,109**	**22,621**	**(19,037)**	**(24,825)**	**1,048,642**	**82,158**	**2,168,726**	**212,809**

D – Consolidated Statement of Cash Flows

(in thousands of euros)	Notes Section E	First-half 2013	First-half 2012
Cash flows from operating activities:			
Profit for the period		82,158	154,772
Gains and losses from remeasurement at fair value of investment properties		(79,657)	(136,613)
Depreciation and amortisation expense and impairment losses		441	306
Net additions to/(reversals of) provisions		(948)	(84)
Net (gains)/losses from disposals of assets, after tax		195	4
Discounting adjustments and valuation (gains)/losses on financial instruments		8,767	7,194
Deferral of rent-free periods and key money		(3,310)	(4,462)
Employee benefits		273	141
Share of profits of associates		(11,583)	(9,310)
Non-controlling interests in profit for the period		17,014	9,265
Other movements		-	-
Cash flow after finance costs and income tax		**13,349**	**21,213**
Finance costs		26,219	28,245
Income tax		16,729	7,087
Cash flow before finance costs and income tax		**56,297**	**56,546**
Change in working capital		(6,876)	*(537)*
Dividends received from associates		0	1,276
Interest paid		(33,048)	(40,883)
Interest received		118	1,456
Income tax paid		(6,253)	(3,467)
Net cash provided by operating activities		**10,239**	**14,390**
Cash flows from investing activities:			
Acquisitions of and improvements to investment properties		(70,027)	(50,424)
Acquisitions of intangible assets and property and equipment		(5,448)	(9,549)
Acquisitions of subsidiaries, net of the cash acquired	6-37	-	-
Proceeds from disposals of investment properties		290,110	-
Proceeds from disposals of intangible assets and property and equipment	6-37	-	(4)
Proceeds from disposals of subsidiaries, net of the cash sold		-	-
Other cash inflows and outflows		79	(87)
Net cash provided/(used) by investing activities		**214,714**	**(60,064)**
Cash flows from financing activities:			
Proceeds from the issue of ordinary shares		-	-
Purchases and sales of treasury shares, net		(747)	858
Dividends paid to owners of the parent		(64,520)	(64,474)
Dividends paid to minority shareholders		(3,107)	(1,411)
Proceeds from new borrowings		108,990	374,990
Repayments of borrowings		(233,113)	(274,366)
Other		(12,881)	10,341
Net cash (used)/provided by financing activities		**(205,379)**	**45,938**
Net change in cash and cash equivalents		**19,574**	**264**
Cash and cash equivalents at beginning of period	6-38	(1,410)	(18,053)
Cash and cash equivalents at end of period	6-38	18,165	(17,789)
Net change in cash and cash equivalents		**19,574**	**264**

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

E – Notes to the Consolidated Financial Statements

I - Accounting Policies

1-1) Accounting standards

As required under European Commission regulation (EC) 16/06/2002 dated 19 July 2002, the consolidated financial statements 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 new or amended standards had not been adopted for use in the European Union or were not yet applicable and were not early adopted as of 30 June 2013:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- Amendment to IAS 27 – Consolidated and Separate Financial Statements
- Amendment to IAS 28 – Investments in Associates and Joint Ventures
- Amendment to IAS 32 – Offsetting of Financial Assets and Financial Liabilities
- Amendment to IFRS 7 – Improving Disclosures about Financial Instruments: Offsetting of Financial Assets and Financial Liabilities
- IFRS 9 – Financial Instruments.

The following new standards and interpretations were applicable from 1 January 2013:

- Amendment to IAS 1 – Presentation of financial statements: Presentation of Other Comprehensive Income
- Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets (see Note 1-8)
- Amendment to IAS 19 – Employee Benefits (see Note 2-14)
- IFRS 13 – Fair Value Measurement (See Note 2-4)

The amendments to IAS 1 – Presentation of Financial Statements: Presentation of Other Comprehensive Income, applicable from 1 January 2013 with retrospective effect from 1 January 2012, concern the presentation of items reported under "Other comprehensive income" in the consolidated statement of comprehensive income and require items that may be reclassified subsequently to profit or loss to be presented separately from items that will not be reclassified.

1-2) Accounting conventions

The consolidated financial statements are presented in thousands of euros.
The Group has chosen to measure investment properties using the fair value model (see Note 2-3).

1-3) Basis of consolidation

The consolidated financial statements 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 year to the date when control is transferred.

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

1-4) Joint ventures

Joint ventures are consolidated by the proportional method based on the Group's percentage interest.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

After taking control of Parholding and its subsidiaries on 31 December 2012 and following the signature of a new shareholders' pact, SFL no longer has any interests in joint ventures.

1-5) Associates

Associates are accounted for by the equity method. An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Under the equity method, the investment is initially recognised at cost and is adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, less any impairment losses. The Group's consolidated profit includes its share of the associate's profit.

Negative goodwill, corresponding to the excess of the acquisition-date fair value of the Group's interest in the associate's identifiable assets and liabilities over the cost of the shares acquired is recognised directly in the statement of comprehensive income.

The accounting policies applied by associates comply with IFRS and are consistent with the Group's accounting policies.

1-6) Business combinations

In accordance with IFRS 3 (revised), the identifiable assets, liabilities, contingent liabilities and off-balance sheet items of entities acquired in a business combination are recognised at their fair values at the acquisition date.

General administrative expenses and other expenses not included in the cost of the business combination are recognised as an expense when incurred.

The excess of the acquisition cost over the acquisition-date fair value of the share of the net assets acquired is recognised as an asset under "Goodwill" in the consolidated statement of financial position. Any negative goodwill arising on the business combination is recognised directly in the statement of comprehensive income.

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 property.

1-7) Foreign currency translation

The functional and presentation currency of SFL and its subsidiaries is the euro. Transactions in foreign currency are initially recognised in the functional currency by applying the exchange rate on the transaction date. At the period-end, foreign currency monetary assets and liabilities are translated at the closing rate. Translation differences are recognised in the statement of comprehensive income.
SFL does not have any foreign currency transactions.

1-8) Income taxes

The results of businesses subject to income tax are taxed at the standard rate.
For businesses subject to income tax, deferred tax assets and liabilities have been recognised by the liability method for all temporary differences between the book value of assets and liabilities and their tax basis. The Group entities that have elected to be taxed as an SIIC are not liable for income tax and the number of companies for which deferred taxes are recognised is therefore limited.

Application of the amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets had no material impact on SFL's consolidated financial statements for first-half 2013.

II - Measurement Methods

2-1) Intangible assets

Intangible assets correspond mainly to software development costs incurred in connection with the Group's systems upgrade, accounted for in accordance with IAS 38.
They are amortised by the straight-line method over five years.

2-2) Property and equipment

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. If the fair value of an asset is less than its carrying amount, an impairment loss is recognised.

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.

2-3) Investment property

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.

SFL has chosen to measure investment properties using the fair value model as provided for in IAS 40 (paragraph 30). Under this model, investment properties are measured at fair value and gains or losses arising from changes in fair value are recognised in profit. The properties are not depreciated.

The market value of the Group's investment property is determined based on valuations performed by independent experts.
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 properties 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 statement of comprehensive income under "Gains and losses from remeasurement at fair value of investment properties", 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 and included in the fair value calculation, to avoid these effects being taken into account twice.

Valuation method

SFL's entire property portfolio was valued at 30 June 2013 by CBRE, Jones Lang LaSalle and BNP Paribas Real Estate.
The valuations were performed in accordance with the "Charte de l'Expertise en Evaluation Immobilière" (property valuation charter) included in the February 2000 report of France's securities regulator (COB, renamed AMF), and also complied with the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states: "regardless of the number of independent experts used by the SIIC, the following principles must be upheld:
- Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
- When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
- An independent valuer may serve for no more than two 4-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."
SFL's portfolio is appraised on a half-yearly basis by a group of three independent firms, each of which is responsible for valuing part of the total portfolio, as follows (the percentages below are determined on the basis of the Group's share of the total value of the properties, excluding transfer costs):

- CBRE: 31%
- Jones Lang LaSalle: 38%
- BNP Paribas Real Estate: 31%

The firms ensure that their internal teams are rotated as required, and concurring appraisals are organised every six months on a portion of the assets in the portfolio. In addition, certain properties are assigned to different valuers each year to ensure a gradual rotation of assets among them.

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 dates, any rent-free periods and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC) and office rent index (ILAT). Each property was analysed in detail, based on the type of use and the surface area of each unit, lease by lease.
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, after deducting remaining renovation costs for the period until the units are re-let and any rent-free period expected to be granted. Expenditure assumptions cover non-recoverable costs – determined on a lease-by-lease basis – and projected capital expenditure to achieve the asset's highest and best use as defined by IFRS 13.
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.
The appraisal values are quoted both including transfer costs (calculated on the basis of a standard 6.20% rate for all properties subject to registration duty and 1.80% for properties subject to VAT) and excluding transfer costs.

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.

2-4) Measurement of investment properties at fair value

IFRS 13 – Fair Value Measurement, applicable prospectively from 1 January 2013, 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 properties (see Note 2-3) takes into account this definition of fair value.

In IFRS 13, fair value measurements are categorised into a three-level hierarchy:

Level 1: quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: 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 SFL's investment properties, the most meaningful inputs, particularly market rents, investment yields and/or discount rates, represent Level 3 inputs.

Some buildings could not be valued according to their highest and best use, including:

- **96 Avenue d'Iéna, 75016 Paris:** renovations are planned for this building, but the project is not yet firm enough to be taken into account in fair value measurements.

- **Louvre des Antiquaires, 75001 Paris:** layout changes could lead to an upward revaluation of the retail area of the Louvre des Antiquaires/Louvre des Entreprises complex, but these plans are not yet firm enough to be taken into account in fair value measurements.

2-5) Recoverable amount of non-current assets

IAS 36 – Impairment of Assets defines the recoverable amount of an asset as being the higher of fair value less the costs of disposal and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.
IAS 36 applies to intangible assets, property and equipment, investments in associates, other financial assets and goodwill. No goodwill is carried in the Group's consolidated statement of financial position.

At each period-end, the Group assesses whether there is any indication that any assets in the above categories may be impaired. If any such indication exists, the asset's recoverable amount is estimated. If the recoverable amount is less than its carrying amount, an impairment loss is recognised.
Indications of impairment include a change in the asset's economic or technical environment and a fall in its market value.
The appraisals referred to above serve to identify any impairments of properties or shares in property companies.

2-6) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of property assets are capitalised as part of the cost of the asset.

2-7) Investment properties held for sale

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

In practice, investment properties are reclassified as held for sale when their sale has been decided by the Board of Directors or a selling agent has been appointed. They continue to be measured at fair value after reclassification.

2-8) Financial instruments (other than derivatives)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial instruments are initially recognised at fair value.

Purchases and sales of financial instruments are recognised on the transaction date, corresponding to the date when the Group becomes a party to the contractual provisions of the instrument.

Marketable securities held by the Group are measured at fair value at the period-end.

2-9) Amounts receivable from tenants and trade receivables

Receivables are initially recognised at fair value and are subsequently measured using the cost model. Provisions for impairment are recognised on a case-by-case basis for the difference between the receivables' carrying amount and recoverable amount.

2-10) Cash and cash equivalents

Cash and cash equivalents carried in the statement of financial position include cash at bank and on hand and short-term deposits with original maturities of less than three months. They are short-term, highly liquid investments that are readily convertible into a known amount of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents in the statement of cash flows correspond to cash and cash equivalents less bank overdrafts.
Cash equivalents are measured at fair value, in accordance with IAS 39.

2-11) Interest-bearing loans and borrowings

Loans and borrowings are initially recognised at cost, corresponding to the fair value of the consideration paid or received, net of directly attributable transaction costs.

Interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method. Amortised cost takes into account all debt issuance costs and any difference between the initial amount and the amount at maturity. Finance costs are recalculated based on this amortised cost figure and the related effective interest rate.

2-12) Discounting of non-current liabilities

Non-current liabilities with fixed maturities are discounted.
This applies to the exit tax payable in four annual instalments following election for SIIC status.
Where the effect of the time value of money is material, non-current liabilities are measured at the present value of the expenditure expected to be required to settle the obligation. The present value measurement is performed using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. Where discounting is used, the increase in the non-current liability due to the passage of time is recognised under "Finance costs".

2-13) Provisions

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.
When the Group expects reimbursement of some or all of the expenditure required to settle a provision, the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be received. In the statement of comprehensive income, the provision expense is presented net of the amount recognised for the reimbursement.

2-14) Employee benefits

Employee benefits consist mainly of length-of-service awards payable to employees on retirement.
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 annually based on actuarial assumptions. The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at age 65 at the employer's initiative.

The amendments to IAS 19 – Employee Benefits are applicable from 1 January 2013 with retrospective application to 2012. The main impacts for SFL are as follows:

- Following elimination of the corridor approach, actuarial gains and losses have been recognised in equity at 1 January 2013. As actuarial gains and losses at 1 January 2012 were not material, comparative information has not been restated for this change.
- Actuarial gains and losses generated after 1 January 2013 are recognized immediately in Other Comprehensive Income and will not be reclassified subsequently to profit or loss.

2-15) Treasury shares

Treasury shares are recorded as a deduction from equity.

2-16) Share-based payments (IFRS 2)

Stock options are measured at the grant date using the Black & Scholes option-pricing model and the related expense is recognised over their vesting period.

2-17) Finance leases

Finance leases – primarily for the acquisition of property assets – that transfer substantially all the risks and rewards incidental to ownership of the asset are recognised at the commencement of the lease term as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is recognised directly in finance costs.
Investment properties acquired under finance leases are measured at fair value at each period-end.

2-18) Derivative financial instruments

The Group uses interest rate swaps and other derivative financial instruments to hedge the risk of changes in interest rates (and foreign exchange rates). These instruments are measured at fair value at each period-end.
Financial instruments are measured using standard market valuation methods, taking into account the risk of non-performance (particularly the Group's own credit risk), in line with IFRS 13.
For the purpose of applying hedge accounting, fair value hedges are defined as hedges of the exposure to changes in fair value of a recognised asset or liability and cash flow hedges are defined as hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction.
For fair value hedges qualifying for hedge accounting, gains and losses arising from remeasuring the hedging instruments at fair value are recognised in profit. Any gain or loss on the hedged item that is attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit. Adjustments to the carrying amount of a hedged interest-bearing financial instrument are amortised through profit over the instrument's remaining period to maturity.
For cash flow hedges of firm commitments that qualify for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit.

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

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. In this case, the cumulative gain or loss on the hedging instrument recognised directly in equity is reclassified into profit when the forecast transaction occurs. If the forecast transaction is no longer highly probable, any related gain or loss on the hedging instrument recognised directly in equity is reclassified into profit over the period until the date when the forecast transaction was originally expected to occur.

2-19) Revenue

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 revenue recognition criteria applied by the Group are as follows:

Property rentals
Property rentals from investment properties are recognised on a straight-line basis over the lease term.

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

In compliance with IAS 17 and SIC 15, the effects of rent-free periods and step up clauses are recognised over the non-cancellable lease term.

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

Penalties paid by tenants for terminating their lease in advance of the expiry date are treated as revenue from the terminated lease and are recognised in profit 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 capitalized as part of the cost of the asset.

Asset sales
Revenue from asset sales is recognised when the significant risks and rewards of ownership of the asset are transferred to the buyer and the amount of revenue can be measured reliably.

Interest income
Interest income is recognised on an accruals basis using the effective interest method, which consists of applying a rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividends
Dividends are recognised when the Group’s right to receive payment is established.

2-20) Critical accounting estimates and judgements

The property portfolio is valued by independent experts using assumptions concerning future cash flows and interest rates that have a direct impact on their valuations. A reduction in the value assessed by these experts would lead to a decrease in the Group’s earnings (see Note 2-3).

All of the Group’s financial instruments are measured using standard market valuation models (see Note 2-18).

III - Segment Information

The Group's properties are similar in nature and, although they are managed separately in the same manner, none are large enough to be treated as a separate reportable segment. They are grouped into geographical segments according to the principles previously applied under IAS 14.

Comprehensive income can be analysed as follows by geographical segment:

(in thousands of euros)	**Paris Central Business District**	**Western Crescent**	**Others**	**Head-quarters**	**Total**
Property rentals	61,197	2,886	10,550	0	74,634
Property expenses, net of recoveries	(5,835)	(113)	(425)	0	(6,373)
Net property rentals	**55,362**	**2,773**	**10,126**	**0**	**68,261**
Service and other revenues	(0)	0	0	28	28
Other income	361	3	1	329	694
Depreciation and amortisation expense	(215)	0	0	(226)	(441)
Provision reversals/(expense), net	(336)	0	679	1,003	1,346
Employee benefits expense	0	0	0	(5,832)	(5,832)
Other expenses	0	0	0	(4,214)	(4,214)
Profit/(loss) on disposal of investment properties	(232)	0	37	0	(195)
Gains and losses from remeasurement at fair value of investment properties	77,357	(2,780)	5,080	0	79,657
Operating profit	**132,297**	**(3)**	**15,922**	**(8,912)**	**139,304**
Share of profits of associates	0	0	11,583	(0)	11,583
Finance costs and other financial expenses	0	0	0	(31,892)	(31,892)
Financial income	0	0	0	5,673	5,673
Gains and losses from remeasurement at fair value of financial instruments	0	0	0	(8,724)	(8,724)
Discounting adjustments to receivables and payables	0	0	0	(43)	(43)
Provision expense, net - financial assets	0	0	0	0	0
Profit before income tax	**132,297**	**(3)**	**27,506**	**(43,899)**	**115,901**
Income tax expense	(10,362)	0	(1,680)	(4,687)	(16,729)
Profit for the period	**121,935**	**(3)**	**25,825**	**(48,586)**	**99,172**
					0
Attributable to owners of the parent	**101,867**	**(3)**	**25,825**	**(45,532)**	**82,158**
Attributable to non-controlling interests	**20,067**	**0**	**0**	**(3,054)**	**17,014**
Other comprehensive income					
Actuarial gains and losses	-	-	-	92	92
Deferred tax effect	-	-	-		-
Items in the accounts of associates that will not be reclassified to profit or loss	-	-	-		-
Items that will not be reclassified to profit or loss	***0***	***0***	***0***	***92***	***92***
Valuation gains and losses on financial instruments taken to equity (cash flow hedges)	-	-	-	14,894	14,894
Deferred tax impact of valuation gains and losses on financial instruments taken to equity	-	-	-	(914)	(914)
Items in the accounts of associates that may be reclassified subsequently to profit or loss	-	-	-	1,731	1,731
Items that may be reclassified subsequently to profit or loss	***0***	***0***	***0***	***15,711***	***15,711***
Other comprehensive income	**0**	**0**	**0**	**15,803**	**15,803**
Comprehensive income	**121,935**	**(3)**	**25,825**	**(32,783)**	**114,975**
Attributable to owners of the parent	**101,867**	**(3)**	**25,825**	**(30,599)**	**97,090**
Non-controlling interests	**20,067**	**-**	**-**	**(2,183)**	**17,885**

(in thousands of euros)	Paris Central Business District	Western Crescent	Others	Head-quarters	Total
Segment assets	3,046,743	290,433	668,249	1,700	4,007,125
Unallocated assets	-	-	-	104,826	104,826
Total assets	**3,046,743**	**290,433**	**668,249**	**106,526**	**4,111,951**

Segment assets correspond 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 avenue Raymond Poincaré and boulevard Gouvion Saint-Cyr in the west to rue du Sentier and rue du Faubourg-Poissonnière in the east, and from avenue de Villiers and boulevard Malesherbes in the north to rue de Rivoli and the banks of the Seine up to Trocadero in the south.

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

- Others: corresponding to the rest of Paris, outside the Central Business District.

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

IV - Significant Events of the Period

4-1) Redevelopment and renovation programmes

Redevelopment projects:

- Work on the In/Out project in Boulogne, which began in January 2012, is on schedule and delivery is set for the third quarter of 2013.
- Remodelling began on the building at 81-83 rue de Richelieu in the second half of 2012, and a general contractor was selected in January 2013. The major demolition and reconstruction work has proceeded on schedule.

On 8 February 2013, SFL sold the building at 251 rue Saint-Honoré in the first *arrondissement* of Paris, which is occupied by the Mandarin Oriental Paris hotel and two luxury boutiques, to the Mandarin Oriental Hotel Group. The property was sold for a net sale price of €290 million, in accordance with the terms agreed in November 2012

4-2) Tax audits

In first-half 2013, the Paris Administrative Court of Appeal dismissed two applications submitted in 2010 by SFL, contesting the tax authorities' decision to challenge (i) the method used by the Group to calculate provisions for major repairs and (ii) the breakdown of the value of certain properties in the accounts between the value of the land and that of the building.
A €968 million tax charge was therefore recorded in the first-half 2013 accounts. This had no impact on profit for the period as an equivalent amount was released from the provisions set aside for these reassessments in the financial statements at 31 December 2012.
There are currently no other pending disputes with the tax authorities.

4-3) Subsequent events

After the period-end, SFL obtained a new €400 million five-year syndicated revolving line of credit at the 3-month Euribor plus a spread of 200 bps.
This new line of credit, which replaces an existing €300-million facility obtained in October 2009, improves the Group's liquidity position, reduce its spread, and extends the maturity of debt.

V - Scope of Consolidation

Consolidated companies	Registration no.	Percentage	
		Interest	Voting rights
Parent company			
SA Société Foncière Lyonnaise	552 040 982	-	-
Fully-consolidated companies			
SA SEGPIM	326 226 032	100	100
SAS Locaparis	342 234 788	100	100
SAS Maud	444 310 247	100	100
SAS SB2	444 318 398	100	100
SAS SB3	444 318 547	100	100
SCI SB3	484 425 450	100	100
SCI Washington	432 513 299	66	66
SCI 103 Grenelle	440 960 276	100	100
SCI Paul Cézanne	438 339 327	100	100
SAS Parholding	404 961 351	50	50
SC Parchamps	410 233 498	50	50
SC Pargal	428 113 989	50	50
SC Parhaus	405 052 168	50	50
Associated companies accounted for by the equity method			
SIIC de Paris	303 323 778	29,63	29,63

At 30 June 2013, Société Foncière Lyonnaise was 53.14%-owned by the Spanish company Inmobiliaria Colonial SA.

VI - Notes to the Consolidated Statements of Financial Position and Comprehensive Income

The key items in the statement of financial position and the statement of comprehensive income are analysed below.

6-1) Intangible assets

	31 December 2012	Increases	Decreases	Reclassi-fications	30 June 2013
Cost					
Computer software	3,859	0	0	30	3,890
Other intangible assets	500	525	0	(30)	995
Accumulated amortisation					
Computer software	(3,547)	(77)	0	0	(3,623)
Other intangible assets	0	0	0	0	0
Carrying amount	**813**	**449**	**0**	**0**	**1,262**

6-2) Property and equipment

	31 December 2012	Increases	Decreases	Reclassi-fications	30 June 2013
Cost					
Owner-occupied property	21,238	0	0	0	21,238
Equipment	3,793	44	(157)	0	3,680
Accumulated depreciation					
Owner-occupied property	(673)	(215)	0	0	(888)
Equipment	(1,020)	(149)	157	0	(1,012)
Carrying amount	**23,338**	**(320)**	**0**	**0**	**23,018**

The appraisal value of owner-occupied property – corresponding to the Group's headquarters – at 30 June 2013 was €27,230 thousand.

6-3) Investment property

	31 December 2012	Increase	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	30 June 2013
Fair value						
Investment property	3,528,807	71,539	96,441	(0)	(14,797)	3,681,990
Total	**3,528,807**	**71,539**	**96,441**	**(0)**	**(14,797)**	**3,681,990**

	30 June 2013	31 December 2012
Appraisal value of investment properties	3,717,628	3,559,681
Adjustments to reflect specific lease terms	(35,638)	(30,874)
Fair value of investment properties in the statement of financial position	**3,681,990**	**3,528,807**

Investment properties are valued by independent experts at half-yearly intervals. The valuations are based on unobservable inputs categorised as Level 3 in the fair value hierarchy defined in IFRS 13. Given the nature of SFL's business, the characteristics of its properties and the associated risks, asset classes are based on geographical location.

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

Asset class	Value excluding transfer costs 30/06/2013 €m (100%)	Parameters	Range of values
Paris Central Business District	3,045	Market rent for offices Exit yield Discount rate	€530 - €730 4.50% - 5.60% 5.20% - 7.25%
Other Paris	382	Market rent for offices Exit yield Discount rate	€480 - €590 5.25% 5.75% - 6.40 %
Western Crescent	291	Market rent for offices Exit yield Discount rate	€260-€450 5.75% - 6.50% 6.75% – 7.25%
Total	**3,718**		

6-4) Investments in associates

	% interest	31 December 2012	Dividends received	Share of profit	Other movements	30 June 2013
SIIC de Paris	29.63%	286,560	(9,066)	11,583	1,731	290,807
Total		**286,560**	**(9,066)**	**11,583**	**1,731**	**290,807**

The 29.63% interest in SIIC de Paris was valued at €290,807 thousand at 30 June 2013 and €286,560 thousand at 31 December 2012.
Based on SIIC de Paris's closing share price on 30 June 2013 of €16.84, the market value of the shares was €215,039 thousand.

6-5) Financial assets

	31 December 2012	Increases	Impairment losses recognised during the period	Decreases	Impairment losses reversed during the period	30 June 2013
Investments in non-consolidated companies	1,071	-	-	-	-	1,071
Provisions for impairment	(1,071)	-	-	-	-	(1,071)
Investments in non-consolidated companies, net	**0**	**-**	**-**	**-**	**-**	**0**
Deposits	770	-	-	(79)	-	691
Hedging instruments	-	156	-	-	-	156
Total	**770**	**156**	**-**	**(79)**	**-**	**847**

Provisions maintained in the statement of financial position since 31 December 2010 for impairment of investments in non-consolidated companies concern Groupe Vendôme Rome, which has a negative net worth and has been written down in full.

6-6) Other non-current assets

	30 June 2013	31 December 2012
Deferred tax assets	12	12
Other receivables	159	163
Prepayments	10,057	5,178
Total	**10,227**	**5,352**

Deferred tax assets are analysed in Note 6-32.
Prepayments correspond mainly to advances paid on long-term contracts for building restructuring work.

6-7) Investment properties held for sale

	31 December 2012	Increase	Gains from remeasurement at fair value	Decreases	Losses from remeasurement at fair value	Reclassi-fications	30 June 2013
Fair value							
Investment properties held for sale	286,777	1,982	-	(286,772)	(1,987)	-	-
Total	**286,777**	**1,982**	**-**	**(286,772)**	**(1,987)**	**-**	**-**

	30 June 2013	31 December 2012
Appraisal value of investment properties	-	290,305
Adjustments to reflect specific lease terms	-	(3,528)
Fair value of investment properties in the statement of financial position	**-**	**286,777**

No properties were classified as held for sale at 30 June 2013. All investment properties held for sale at 1 January were sold during the period.

6-8) Trade and other receivables

	30 June 2013			31 December 2012
	Total	Due within one year	Due in more than one year	Total
Trade receivables	47,030	15,133	31,898	43,785
Provisions	(1,923)	-	(1,923)	(2,327)
Trade receivables	**45,107**	**15,133**	**29,975**	**41,458**
Prepayments to suppliers	502	502	-	40
Employee advances	51	51	-	44
Tax receivables (other than income tax)	17,870	17,870	-	16,302
Other operating receivables	1,597	1,597	-	1,305
Other receivables	9,324	9,324	-	285
Other receivables	**29,344**	**29,344**	**-**	**17,977**
Total	**74,451**	**44,477**	**29,975**	**59,435**

Receivables include €35,638 thousand (of which €28,320 thousand reported under non-current assets) corresponding to the impact of rent-free periods and other special lease terms that is deferred over the non-cancellable lease term in accordance with IFRS.

Other receivables include €9,066 thousand in dividends receivable from SIIC de Paris.

Receivables do not bear interest.

Provisions for doubtful debts can be analysed as follows:

	First-half 2013	First-half 2012
Increases	(356)	(45)
Reversals	760	71
Bad debt write-offs, net of recoveries	(6)	(13)
Total	**398**	**13**
Future minimum lease payments	74,634	74,571
Net losses as a % of property rentals	**-0.53%**	**-0.02%**

6-9) Other current assets

	30 June 2013	31 December 2012
Income tax prepayments	110	967
Other prepayments	4,128	450
Total	**4,238**	**1,417**

Prepayments correspond mainly to advances paid on short-term contracts for building restructuring work.

6-10) Cash and cash equivalents

	30 June 2013	31 December 2012
Cash at bank and in hand	1,970	5,625
Short-term investments	23,140	19,293
Total	**25,110**	**24,918**

Short-term investments are measured at fair value. They break down as follows:

	30 June 2013	31 December 2012
Rothschild money market fund	443	1,077
Crédit Agricole money market fund	7,183	2,967
Natixis marketable securities	15,515	15,249
Total	**23,140**	**19,293**

6-11) Equity

The Company’s share capital amounts to €93,058 thousand, represented by 46,528,974 ordinary shares with a par value of €2.

Treasury shares are deducted from equity. Details of treasury share transactions are presented below:

	31 December 2012	Increases	Decreases	30 June 2013
Number of shares	441,250	51,721	33,511	459,460
Average purchase/sale price, in euros	€57.38	€38.48	€36.98	€56.75
Total, in thousands of euros	**25,321**	**1,990**	**(1,239)**	**26,072**

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

6-12) Short and long-term interest-bearing debt

	Effective interest rate	Due	Long-term portion		Short-term portion	
			30 June 2013	31 December 2012	30 June 2013	31 December 2012
Bonds:						
2011 €500 million issue	4.625%	25 May 2016	500,000	500,000	2,344	14,002
2012 €500 million issue	3.50%	28 Nov. 2017	500,000	500,000	10,309	1,630
Bank loans						
Natixis syndicated loan	3-month Euribor + 215 bps (end of drawdown period)	17 Dec. 2015	0	45,000	0	64
BNP Paribas syndicated loan	3-month Euribor + 270 bps (end of drawdown period)	8 Oct. 2014	0	0	0	0
BECM revolving facility	1-month Euribor + 55 bps (end of drawdown period)	5 May 2014	0	150,000	75,009	3
Royal Bank of Scotland	3-month Euribor + 56 bps (calendar quarter end)	13 Oct. 2013	0	0	40,803	40,801
CADIF	1-month Euribor + 80 bps (end of drawdown period)	31 Dec. 2013	0	0	16,002	15,002
Natixis – Deka – Deutsche Hypo	3-month Euribor + 185 bps (calendar quarter end)	25 Sept. 2017	203,227	204,257	2,528	2,010
Lease liabilities						
131, Wagram	3-month Euribor + 200 bps (calendar quarter end)	14 June 2016	31,456	32,851	2,751	2,790
Rives de Seine	6-month Euribor + 75 bps 29 April & 29 October	29 Oct. 2013	0	0	47,809	53,668
Hedging instruments with a negative fair value						
(including credit risk)						
RBS swap	3.8900%	31 Oct. 2013	0	0	516	1,279
HSBC swap	2.1720%	15 Feb. 2013	-	2,982	-	3
HSBC swap	2.3050%	15 Feb. 2013	-	6,775	-	6
CM CIC swap	1.8460%	18 Feb. 2013	-	5,607	-	411
Natixis - Deka -Nord LB swaps	0.8825%	25 Sep. 2017	0	2,759	216	219
Bank overdrafts	Various		0	0	6,942	26,327
Current account advances	Various		71,994	68,888	318	1,398
Impact of deferred recognition of debt arranging fees			(9,106)	(11,373)	(4,575)	(4,641)
Total			**1,297,571**	**1,507,746**	**200,972**	**154,972**

The following table analyses borrowings by maturity:

	30 June 2013	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years	31 December 2012
Syndicated loans	0	-	-	-	45,064
Bonds	1,012,653	12,653	1,000,000	-	1,015,632
BECM revolving facility	75,009	75,009	-	-	150,003
Royal Bank of Scotland loan	40,803	40,803	-	-	40,801
Natixis-Deka-Deutsche Hypo loan	205,755	2,528	203,227		206,267
Lease financing	82,016	50,560	31,456	-	89,309
CADIF loan	16,002	16,002	-	-	15,002
Current account advances (liabilities)	72,312	318	71,994	-	70,286
Deferred debt arranging fees	(13,681)	(4,575)	(9,106)	-	(16,014)
Natixis - Deka -Nord LB swaps	216	216	-	-	2,978
RBS swap at 3.89%	516	516	-	-	1,279
HSBC swap at 2.172%	-	-	-	-	2,985
HSBC swap at 2.305%	-	-	-	-	6,781
CM-CIC swap at 1.846%	-	-	-	-	6,018
Bank overdrafts	6,942	6,942	-	-	26,327
Total	1,498,543	200,972	1,297,571	0	1,662,718

At 30 June 2013, SFL had access to confirmed undrawn lines of credit in the amount of €725,000 thousand, versus €605,000 thousand at 31 December 2012.

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

Hedging instruments are presented at their fair value (including credit risk) plus accrued interest payable as of 30 June 2013.

Debt covenants and acceleration clauses:

Credit facilities	Applicable ratios	Actual ratios at 30 June 2013	Actual ratios at 31 December 2012	Acceleration clauses(1)
NATIXIS SYNDICATED LOAN	Loan-to-value (LTV) <= 50%	**35.6%**	**38.0%**	Loan default Cross default
	Interest cover >= 2x	**2.2**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	**8.3%**	**8.2%**	Breach of financial covenants Material adverse event
	Unrestricted property portfolio value >= €2bn	**€3.0 billion**	**€3.1 billion**	Change of control
BNP PARIBAS SYNDICATED LOAN	LTV <= 50%	**35.6%**	**38.0%**	Loan default Cross default
	Interest cover >= 2x	**2.2**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	**8.3%**	**8.2%**	Breach of financial covenants Material adverse event
	Unrestricted property portfolio value >= €2bn	**€3.0 billion**	**€3.1 billion**	Change of control
BECM REVOLVING FACILITY	Loan-to-value (LTV) <= 50%	**39.3%**	**42.2%**	Loan default Cross default
	Interest cover >= 2x	**2.2**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <20%	**8.8%**	**8.6%**	Breach of financial covenants Material adverse event
	Property portfolio value > €2bn	**€3.7 billion**	**€3.9 billion**	Change of control
	Total surface area/Surface area under renovation < 30%	**26.6%**	**26.3%**	
RBS LOAN	Loan-to-value (LTV) <= 50%	**39.3%**	**42.2%**	Loan default Cross default
	Interest cover >= 2x	**2.2**	**2.2**	Termination of operations Bankruptcy proceedings
	Secured LTV <= 20%	**8.7%**	**8.6%**	Breach of financial covenants Material adverse event
	Unrestricted property portfolio value >= €1bn	**€3.4 billion**	**€3.5 billion**	Change of control

(1) non-exhaustive list

The Group was not in breach of any of its financial covenants at 30 June 2013.

6-13) Short and long-term provisions

	31 December 2012	Increases	Decreases	*o/w utilisations*	Reclassifications	30 June 2013
Provisions for taxes other than on income	968	-	(968)	(968)		-
Provisions for employee benefits	893	60	(248)	(248)	(92)	612
Long-term provisions	**1,861**	**60**	**(1,216)**	*(1,216)*	**(92)**	**612**
Provisions for refurbishment work and tenant claims	166	55	-	-		221
Provisions for employee benefits	150	153	-	-		303
Short-term provisions	**316**	**208**	**-**	-	**-**	**524**
Total	**2,176**	**268**	**(1,216)**	*(1,216)*	**(92)**	**1,136**

Provisions for employee benefits concern length-of-service awards payable to employees on retirement and jubilees for €612 thousand.

The projected benefit obligation is calculated at six monthly intervals based on actuarial assumptions, including a discount rate of 3.02% and a 2.00% rate of future salary increases. Actuarial gains and losses are recognized in equity.
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 25 and 30 years service, and one month’s salary to caretakers who complete 25 years service.

Employees are not covered by any defined benefit pension plan and are not entitled to any other post-employment benefits. As the Group does not have any such defined benefit obligations, no sensitivity analyses are presented.

Short- and long-term provisions covering benefits payable to members of senior management amounted to €21 thousand at 30 June 2013 and €27 thousand at 31 December 2012.

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.

6-14) Deferred taxes

See Note 6-32.

6-15) Other long-term tax liabilities

This item corresponds mainly to the exit tax due as a result of the early exercise, in 2011, of the finance lease purchase option on the Quai Le Gallo property in Boulogne. The €3.7 million tax liability is payable in four annual instalments between 2012 and 2015 and has been discounted.

Due	**2014**	**2015**	**Total**
Amount payable	892	861	1,753

6-16) Other non-current liabilities

This item corresponds mainly to guarantee deposits and bonds received from tenants.

6-17) Trade and other payables

	30 June 2013	31 December 2012
Trade payables	12,459	5,297
Amounts due within one year on asset acquisitions	35,264	37,341
Total	**47,722**	**42,638**

At 30 June 2013, amounts due within one year on asset acquisitions mainly concerned buildings undergoing redevelopment, including 46 quai Le Gallo in Boulogne (In/Out), and 81/83 rue de Richelieu (Cardinal).

6-18) Other current liabilities

Other current liabilities break down as follows:

	30 June 2013	31 December 2012
Deposits	1,316	1,515
Customer prepayments	15,112	15,978
Accrued employee benefits expense	3,883	5,611
Accrued taxes	3,838	7,172
Other liabilities	2,625	3,600
Accruals	8,934	8,623
Total	**35,707**	**42,499**

Accrued employee benefits expense includes statutory and discretionary profit-sharing and bonus accruals.

The amounts reported under “Accruals” correspond to deferred revenue.

6-19) Net property rentals

The Group’s principal business is the rental of office and retail properties, which account for 97.2% of property rentals. Net property rentals take into account the net positive impact of recognising rent-free periods, rent step-ups and key money over the non-cancellable lease term. In 2012, this impact was €3,310 thousand.

Future minimum lease payments receivable over the remaining term of non-cancellable operating leases break down as follows:

	Total	Due within 1 year	Due between 1 and 5 years	Due beyond 5 years
Rents	610,967	141,528	369,780	99,659

	First-half 2013	First-half 2012
Property rentals	**74,634**	**74,571**
Property operating expenses	(20,672)	(20,294)
Property expenses recovered from tenants	14,299	13,586
Property expenses, net of recoveries	**(6,373)**	**(6,708)**
Net property rentals	**68,261**	**67,863**

6-20) Service and other revenues

Service and other revenues amounted to €28 thousand in first-half 2013, compared with €219 thousand in first-half 2012.

6-21) Other income

	First-half 2013	First-half 2012
Own-work capitalised	215	369
Other income	479	1,578
Total	**694**	**1,948**

The caption “Other income” corresponds to work billed to third parties and redevelopment project management fees.

6-22) Depreciation and amortisation expense

	First-half 2013	First-half 2012
Amortisation of intangible assets	(77)	(73)
Depreciation of property and equipment	(364)	(348)
Total	**(441)**	**(421)**

Amortisation of intangible assets relates to computer software, and depreciation of property and equipment concerns owner-occupied property (corresponding to the Group’s headquarters) and miscellaneous equipment.

6-23) Provision (expense)/reversals, net

	First-half 2013	First-half 2012
Charges to provisions for impairment of current assets	(356)	(45)
Charges to provisions for operating contingencies and charges	(55)	-
Charges to provisions for other contingencies and charges	(213)	(481)
Total charges	**(624)**	**(526)**
Reversals of provisions for impairment of current assets	754	71
Reversals of provisions for operating contingencies and charges	-	-
Reversals of provisions for other contingencies and charges	1,216	565
Total reversals	**1,970**	**636**
Total	**1,346**	**110**

6-24) Employee benefits expense

	First-half 2013	First-half 2012
Wages and salaries	(3,491)	(3,063)
Social security taxes	(1,599)	(1,340)
Death and disability insurance	(39)	(38)
Other payroll taxes	(333)	(268)
Other employee benefits	(273)	(141)
Statutory and discretionary profit-sharing	(98)	(218)
Total	**(5,832)**	**(5,069)**

The Group had 75 administrative staff and 2 building staff at 30 June 2013 versus 78 and 2 respectively at 30 June 2012.

The remuneration paid to Company directors and officers (including bonuses, benefits in kind and corporate savings plan rights) amounted to €2,123 thousand in first-half 2013 and €1,772 thousand in first-half 2012.

Stock option plans at 30 June 2013

Date of shareholder authorisation	21 April 2005
Grant date	**13 March 2007**
Number of shares under option	282,418
Issuer	SFL
Starting date of exercise period	14 March 2011
Option expiry date	12 March 2015
Exercise price (options exercisable for newly-issued shares)	
Exercise price (options exercisable for shares bought back for this purpose)	€60.11
Number of options at 1 January 2012	234,335
Options granted during the period	-
Options exercised during the period	-
Options cancelled during the period	-
Number of options outstanding at 30 June 2013	**234,335**

To calculate the cost of the stock option plans, the options were valued at the grant date using the Black & Scholes method.

Details of performance share plans at 30 June 2013

	Plan 1		Plan 2
Date of shareholder authorisation	9 May 2011		9 May 2011
Grant date	16 February 2012	5 March 2013	16 February 2012
End of vesting period:	31 December 2014	5 March 2016	31 December 2013
Expected vesting rate	70.83%	70.80%	70.83%
Target number of shares	32,988	35,144	13,678
Number of shares expected to vest	23,366	24,882	9,688
Fair value per share	29.08	31.65	30.97
Number of shares expected to vest at 30 June 2013	**23,366**	**24,882**	**9,688**

The total cost of each performance share plan is calculated by multiplying the number of performance share rights that are expected to vest by the fair value per share.
The number of performance share rights that are expected to vest corresponds to the target number of shares multiplied by the estimated vesting rate. The estimated vesting rate is 70.83% for options granted on 16 February 2012 and 70.80% for options granted on 5 March 2013.
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 total cost calculated as explained above is recognised on a straight-line basis over the vesting period.

The cost of performance share plans recognised in first-half 2013 amounted to €273 thousand (excluding specific employer contributions).

6-25) Other expenses

	First-half 2013	First-half 2012
Purchases	(56)	(73)
General subcontracting	(201)	(210)
Rent (operating leases)	(552)	(574)
Maintenance and repairs	(89)	(99)
Fees	(920)	(1,090)
Publications and public relations	(370)	(492)
Bank charges	(136)	(140)
Taxes other than on income	(943)	(630)
Travel and entertainment	(198)	(197)
Non-recurring expenses	(108)	(86)
Other	(642)	(415)
Total	**(4,214)**	**(4,006)**

6-26) Profit/(loss) on disposal of investment properties

The profit on disposal of investment properties mainly concerns the sale of the Mandarin Oriental building (see Note 4.1).

6-27) Gains and losses from remeasurement at fair value of investment properties

Details of gains and losses from remeasurement of investment properties at fair value are provided in Notes 6-3 and 6-7.

6-28) Share of profits of associates

This item, in an amount of €11,583 thousand, corresponds to SFL's share of SIIC de Paris's profit for the period.

6-29) Finance costs and other financial income and expenses

	First-half 2013	First-half 2012
Interest on bank loans	(26,382)	(21,423)
Interest on lease liabilities	(762)	(1,469)
Interest on external current account advances	(427)	(899)
Hedging gains	(1,989)	(8,495)
Other financial expenses	(2,333)	(1,692)
Finance costs and other financial expenses	**(31,892)**	**(33,978)**
Interest income	6	6
Net gains on sales of short-term investments	32	48
Hedging gains	-	840
Financial expense transfers	5,555	4,277
Other financial income	80	562
Financial income	**5,673**	**5,733**
Finance costs and other financial income and expenses, net	**(26,219)**	**(28,245)**

Financial expense transfers primarily correspond to interest capitalised at the rate of 3.63% on the properties at 46 quai Le Gallo in Boulogne (In/Out) and 81-83 rue de Richelieu during their redevelopment.

6-30) Financial instruments

Financial risk management objectives and policy

At a time of financial market instability, SFL is prudently managing its financial risks.

1/ Liquidity risk

Liquidity risk is covered by confirmed undrawn lines of credit. At 30 June 2013, SFL had access to confirmed undrawn lines of credit in the amount of €725 million, compared with €605 million at 31 December 2012. This €725 million does not take into account the renegotiation of a syndicated revolving line signed on 4 July 2013, which increased available credit facilities by €100 million. With its available credit lines, diversified debt structure and the quality of its assets, SFL manages its liquidity risk prudently and effectively.

2/ Counterparty risk

All financial instrument contracts are entered into with leading financial institutions. These contracts concern either interest rate hedges or the short-term investment of available cash in money market funds. It should be emphasized that these same banks finance a portion of the Group's debt. Counterparty risk is minimal because available cash is generally used to repay borrowings under the revolving lines of credit. The rental deposits obtained from tenants offer protection against the risk of rent default. SFL considers that its exposure to counterparty risk on operations is not material.

3/ Market risk

SFL had no exposure to currency risks at 30 June 2013.
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 and intrinsic interest rate levels all influence the choice of hedging instruments.

At least 70% of borrowings are hedged over average periods that are aligned as closely as possible with debt maturities while keeping hedging costs at a reasonable level.
At 30 June 2013, 87% of debt was hedged against interest rate risks.

b/ Risk assessment

The average spot cost of debt after hedging stood at 3.51% at 30 June 2013, versus 3.60% at 31 December 2012.

A 50-basis point rise in interest rates across the yield curve in first-half 2013 would have had the effect of increasing the average cost of debt to 3.58%, lifting finance costs for the period by 1.7% or €535 thousand. A 50-basis point decline in interest rates across the yield curve would have had the effect of reducing the average cost of debt to 3.43%, lowering finance costs for the period by 1.7% or €535 thousand.

As for the sensitivity of the Group's hedging instruments at 30 June 2013, a 50-basis point increase in interest rates would improve their fair value by €3,698 thousand (€8,605 thousand at 31 December 2012), while a 50-basis point drop in rates would have a negative impact of €3,796 thousand (€8,833 thousand at 31 December 2012).

The following table provides an analysis by maturity of the notional amount of financial instruments exposed to interest rate risk:

	30 June 2013	30 June 2014	30 June 2015	30 June 2016	30 June 2017
Syndicated loans	-	-	-	-	-
BECM revolving facility	75,000	-	-	-	-
RBS loan	40,800	-	-	-	-
Natixis-Deka-Deutsche Hypothekenbank loan	205,028	203,227	201,169	198,339	195,252
Lease liabilities	82,055	31,456	28,666	-	-
Current account advances	71,994	71,994	-	-	-
CADIF loan	16,000	-	-	-	-
Total floating rate debt	490,877	306,677	229,835	198,339	195,252
Natixis - Deka -Nord LB swaps	185,220	185,220	185,220	185,220	185,220
RBS swap	40,800	-	-	-	-
Total interest rate hedges	226,020	185,220	185,220	185,220	185,220
Net unhedged position	264,857	121,457	44,615	13,119	10,032

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

Accounting treatment of hedging instruments

The net change in value of hedging instruments between 31 December 2012 and 30 June 2013 was €19,052 thousand in SFL's favour.
The change reflected:

- The unwinding of the interest rate swaps, leading to the payment of cash settlements representing a net €12,881 thousand.
- €5,909 thousand in fair value adjustments recorded in equity and €262 thousand recognised in the statement of comprehensive income along with the gains and losses referred to below.

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 recognized directly in the statement of comprehensive income. The cumulative gains and losses on the instrument recorded in equity are reclassified ("recycled") to the statement of comprehensive income over the remaining life of the hedged item.

In first-half 2013, cumulative losses of €8,986 thousand were reclassified to the statement of comprehensive income.

The net amount recorded in the statement of comprehensive income was therefore a negative €8,724 thousand.

Hedging portfolio

The hedging portfolio comprises the following two types of contract:

i. Interest rate hedge on the financing of the Iéna property.

Counterparty: Royal Bank of Scotland.
Description: cash flow hedges. These 7-year swaps on a notional amount of €40,800 thousand came into effect on 31 October 2006 as a hedge of identified debt. SFL pays a fixed rate of 3.89%. They had a negative fair value of €505 thousand at 30 June 2013 excluding credit risk and accrued interest.

ii. Interest rate hedges on the financing of the Parholding portfolio

Counterparties: Natixis/Deka/Nord LB. Description: cash flow hedges. These swaps on a notional amount of €185,220 thousand came into effect on 25 November 2012 as a hedge of identified debt and expire on 25 September 2017. SFL pays a fixed rate of 0.8825%.
They had a positive fair value of €188 thousand at 30 June 2013 excluding credit risk and accrued interest.

Measuring hedging instruments

All SFL's hedging instruments are classified in Level 2 of the fair value hierarchy. Their fair values are estimated based on inputs other than quoted prices included within Level 1 that are observable directly (i.e. as prices) on active and liquid markets. They had a negative fair value of €316 thousand at 30 June 2013 excluding credit risk and accrued interest.

The credit risk associated with hedging transactions is calculated based on the probability of default for assets marketable as collateral in the secondary market. At 30 June 2013, credit risk represented a potential loss for SFL of €31 thousand.

Fair value of bonds

The fair value of the Group's outstanding bond issues at 30 June 2013 was €1,058,400 thousand, as follows:

	Nominal value	Maturity	Fair value
May 2011 bonds	500,000	May 2016	536,100
November 2012 bonds	500,000	November 2017	522,300
			1,058,400

6-31) Provision expense, net - financial assets

There were no movements on provisions on financial assets in first-half 2013.

6-32) Income tax expense

The election for taxation as an SIIC led to the elimination of the tax bases of the SIICs' assets used to calculate deferred taxes. The only remaining deferred tax assets and liabilities concern partnerships that are not eligible for taxation as an SIIC and assets under finance leases arranged prior to 1 January 2005.

Deferred taxes recognised in the statement of comprehensive income, calculated at the tax rate applicable at the period-end, consist mainly of the following:

Deferred taxes	Statement of financial position 31 December 2012	Changes in scope of consolidation	Transfers between accounts	Recorded in equity	Recorded in first-half 2013 statement of comprehensive income	Statement of financial position 30 June 2013
Gains and losses from remeasurement at fair value of investment properties	(105,971)				(11,286)	(117,257)
Hedging instruments	950			(915)	(89)	(54)
Adjustment of depreciation	(8,770)				(912)	(9,682)
Adjustment of property rentals	(2,539)				245	(2,294)
Capitalisation of interest expense and transaction costs	(464)					(464)
Recognition of deferred tax assets for tax loss carryforwards						
Other	(253)					(253)
Net	**(117,046)**	**-**	**-**	**(915)**	**(12,042)**	**(130,004)**
Of which: deferred tax assets	13	-		-		13
Of which: deferred tax liabilities	117,060	-	-	915	12,042	130,017

Current income tax expense for first-half 2013 amounted to €4,687 thousand, including €851 thousand corresponding to the 3% tax due on the interim dividend paid in April 2013.

6-33) Non-controlling interests in net profit

	First-half 2013	First-half 2012
SCI Washington	**5,906**	**9,265**
Property rentals:	*3,131*	*3,069*
Gains and losses from remeasurement at fair value of investment properties	*3,118*	*6,879*
Parholding Group	**11,108**	**0**
Property rentals:	*6,491*	-
Gains and losses from remeasurement at fair value of investment properties	*12,908*	-
Deferred taxes	*(4,862)*	-
Tax due	*(1,119)*	-
Total	**17,014**	**9,265**

Parholding, which was consolidated proportionally in the financial statements until 30 December 2012, has been fully consolidated since 31 December 2012.

6-34) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period, net of treasury shares held at the period-end.

	First-half 2013	First-half 2012
Profit used to calculate basic earnings per share	82,158	154,772
Number of ordinary shares at 30 June	46,528,974	46,528,974
Number of treasury shares at 30 June	(459,460)	(473,450)
Number of ordinary shares at 30 June excluding treasury shares	**46,069,514**	**46,055,524**
Earnings per share	€1.78	€3.36
Weighted average number of ordinary shares	46,528,974	46,528,974
Number of treasury shares at 30 June	(459,460)	(473,450)
Weighted average number of ordinary shares excluding treasury shares	**46,069,514**	**46,055,524**
Basic earnings per weighted average share	€1.78	€3.36

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.

6-35) Dividends

	First-half 2013		First-half 2012	
	Total	Per share	Total	Per share
Declared dividend for prior year	65,141	€1.40	65,141	€1.40
Prior year dividend paid in current year	64,520	€1.40	64,474	€1.40
Total	**64,520**	**€1.40**	**64,474**	**€1.40**

6-36) Off-balance sheet commitments

All of the Group's off-balance sheet commitments at 30 June 2013 are detailed below.

1/ Mortgages on properties owned by the Parholding sub-group securing the 25 September 2012 loan.

Type of mortgage		**Standard mortgage**			**Overall total**
Company		Pargal	Parchamps	Parhaus	
Expiry date		25 Sept. 2018	25 Sept. 2018	25 Sept. 2018	
Registered by Deutsche Hypothekenbank	**Principal**	31,278	10,072	27,250	**68,600**
	Costs and incidentals	2,189	705	1,908	**4,802**
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Registered by Natixis	**Principal**	31,278	10,072	27,250	**68,600**
	Costs and incidentals	2,189	705	1,908	**4,802**
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Registered by Deka	**Principal**	31,278	10,072	27,250	**68,600**
	Costs and incidentals	2,189	705	1,908	**4,802**
	Total	**33,467**	**10,777**	**29,158**	**73,402**
Total		**100,402**	**32,331**	**87,473**	**220,206**

2/ Mortgages on the Iéna property securing the 10 June 2008 loan

Company	**Type of mortgage**	**Expiry date**	**Securing loan from Royal Bank of Scotland**		
			Principal	**Costs and incidentals**	**Total 30 June 2013**
SFL	Standard mortgage	31/10/2014	40,800	4,080	44,880
Total			**40,800**	**4,080**	**44,880**

Guarantees and other commitments

	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
. Guarantee given by SFL to Société Générale on behalf of SAS Locaparis pursuant to Article 3-2 of the Act of 2 January 1970	140	140	-	-
. Property guarantees	393	393	-	-
Commitments received				
. Guarantees received from tenants	21,760	3,598	5,791	12,371
. Guarantees received from suppliers	25,957	7,574	18,383	-
. Natixis syndicated line of credit	350,000	-	350,000	-
. BNP Paribas syndicated line of credit	300,000	-	300,000	-
. BECM revolving line of credit	75,000	75,000	-	-

Employee benefit obligations at 30 June 2013

Five employees (including one person who is also an officer of the Company) are entitled to compensation if they resign or are dismissed as a result of a major change in the scope of their responsibilities following a significant direct or indirect change in the shareholder base of SFL or its controlling company.

An officer of the Company who is not an employee is entitled to compensation for loss of office in the event that he is dismissed from his position for reasons other than gross or wilful misconduct.

At 30 June 2013, the aggregate compensation that would be payable to these individuals amounts to €2,812 thousand.

The terms and conditions related to this compensation were approved by SFL’s Board of Directors on 9 February 2004, 25 July 2006 and 4 April 2008 in the case of the employees and on 5 October 2010 in the case of the corporate officer who is not an employee.

No related provisions have been recorded in the financial statements.

Contractual redevelopment and renovation obligations

At 30 June 2013, the Group’s contractual commitments relating to investment properties undergoing renovation totalled €117,030 thousand and mainly concerned the Richelieu property for €101,160 thousand, and the In/Out property for €8,465 thousand.

6-37) Note to the statement of cash flows

	First-half 2013	First-half 2012
Proceeds from disposals of intangible assets and property and equipment:		
Sale price	-	-
Transaction costs	-	(4)
Capital gains tax	-	-

Cash and cash equivalents at end of period:		
Short-term investments	23,140	10,036
Cash at bank and in hand	1,970	4,349
Short-term bank loans and overdrafts	6,942	(32,173)

Additional information

The impact of recognising rent-free periods as well as additions to and reversals of provisions for trade receivables is included in “Cash flow”.
Changes in deposits received from tenants are included in cash flows from operating activities.

6-38) Related party information

The remuneration paid to the members of the Board of Directors and Management Committee breaks down as follows:

	First-half 2013	First-half 2012
Short-term benefits, excluding payroll taxes(1)	2,294	1,943
Payroll taxes on short-term benefits	928	757
Share-based payments(2)	217	108
Total	**3,439**	**2,808**

(1) Gross salary and other remuneration, bonuses, discretionary and non-discretionary profit-sharing, matching Company payments, directors' fees and benefits in kind paid during the period.
(2) Cost recognised in the statement of comprehensive income for stock options and employee rights issues.

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

Statutory Auditors' Review Report on the Interim Financial Information For the Six Months Ended 30 June 2013

To the shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with Article L.451-1-2 III of the French Monetary and Financial Code (*Code Monétaire et Financier*), we have performed a limited review of:

- The accompanying interim consolidated financial statements of **Société Foncière Lyonnaise** for the period from 1 January to 30 June 2013.
- The information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our responsibility, based on our limited review, is to report our conclusions concerning these interim consolidated financial statements.

1. Conclusions concerning the financial statements

We conducted our limited review in accordance with the professional standards applied in France. A limited review of interim financial statements consists primarily of making inquiries of the persons responsible for financial and accounting matters, and applying analytical procedures. It is less in scope than an audit conducted in accordance with auditing standards applicable in France and, consequently, does not enable us to obtain the same level of assurance that the financial statements, in their entirety, are free from material misstatement as would be obtained from a full audit.

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with the International Financial Reporting Standards adopted in the European Union for Interim Financial Reporting and that they do not give a true and fair view of the Group's results for the period as well as of its financial position, assets and liabilities at the period-end.

2. Specific verification

We have also reviewed the information given in the interim management report accompanying the interim consolidated financial statements that were the subject of our limited review. We have no comments to make as to its fair presentation and its conformity with the interim consolidated financial statements.

Neuilly-Seine, 25 July 2013
The Statutory Auditors

PricewaterhouseCoopers Audit	**Deloitte & Associés**
Benoît Audibert	Christophe Postel-Vinay

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 2013 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, 25 July 2013

Bertrand Julien-Laferrière

Chief Executive Officer

SOCIETE FONCIERE LYONNAISE

40, rue Washington – 75008 Paris
Phone: +33 (0)1 42 97 27 00
Fax: +33 (0)1 42 97 27 26

E-mail: sfl@fonciere-lyonnaise.com
Website : www.fonciere-lyonnaise.com