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Balance Sheet

ASSETS

(in thousands of euros)	Notes Part C - IV	Total	Depreciation, amortisation and provisions	31 Dec. 2022 Net	31 Dec. 2021 Net
NON-CURRENT ASSETS					
Intangible assets	A - 1.1				
Software		8,001	6,922	1,079	1,834
Lease premiums and goodwill ⁽¹⁾				–	–
Other				–	–
Intangible assets in progress		759		759	380
Property and equipment	A - 1.2				
Land		551,553		551,553	558,987
Buildings		757,597	247,479	510,118	338,641
Other		3,973	3,413	560	1,584
Assets under construction		232,866		232,866	354,645
Prepayments to suppliers of property and equipment		843		843	–
Non-current financial assets⁽²⁾	A - 1.3				
Shares in subsidiaries and affiliates		1,789,412	9,443	1,779,969	1,504,787
Advances to subsidiaries and affiliates		36,608		36,608	25,969
Other long-term investments				–	–
Loans				–	–
Other		447		447	421
Total I		3,382,059	267,257	3,114,802	2,787,248
CURRENT ASSETS					
Receivables⁽³⁾	A - 2				
Prepayments to suppliers		56		56	59
Rental receivables		4,726	748	3,978	4,905
Other		710,483	1,265	709,218	559,945
Current financial assets	A - 3				
Treasury shares		2,947		2,947	6,942
Other marketable securities				–	–
Treasury instruments	A - 4	19		19	–
Cash at bank and in hand	A - 5	20,796		20,796	22,883
Prepaid expenses ⁽³⁾		551		551	171
Total II		739,578	2,013	737,565	594,905
Deferred debt issuance costs (III)	A - 6	9,284		9,284	7,299
Debt redemption premiums (IV)	A - 7	21,961		21,961	7,408
Conversion losses (V)				–	–
Total assets (I to V)		4,152,882	269,270	3,883,612	3,396,860
(1) Of which lease premiums				–	–
(2) Of which due within one year (gross)				36,608	25,969
(3) Of which due beyond one year (gross)				–	–

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EQUITY AND LIABILITIES

(in thousands of euros)	Notes Part C - IV	31 Dec. 2022	31 Dec. 2021
EQUITY			
Share capital		85,729	85,729
Share premium account		160,003	160,003
Revaluation reserve		21,439	21,439
Other reserves			
Legal reserve		9,306	9,306
Statutory reserves		–	–
Untaxed reserves		–	–
Other		–	–
Retained earnings		913,558	235
Profit for the year		58,233	1,093,151
Capital and reserves		1,248,268	1,369,863
Government grants		–	–
Untaxed provisions		24,858	23,509
Total I	A - 8.1	1,273,126	1,393,372
Participating securities		–	–
Total Ia			
Provisions for contingencies and charges	A - 8.3	9,310	7,997
Total II		9,310	7,997
LIABILITIES⁽¹⁾⁽²⁾			
Convertible bonds		–	–
Other bonds		1,709,721	1,799,688
Bank borrowings ⁽³⁾		400,767	7
Other borrowings		428,397	129,524
Prepaid property rentals		11,310	16,656
Trade payables		7,053	5,364
Accrued taxes and payroll costs		11,136	12,171
Due to suppliers of property and equipment		25,047	28,021
Other liabilities		7,745	4,060
Deferred income		–	–
Total III	A - 9	2,601,176	1,995,491
Total equity and liabilities (I to IV)		3,883,612	3,396,860
(1) Of which due beyond one year		2,112,803	1,509,267
(2) Of which due within one year		488,373	486,224
(3) Of which short-term bank loans and overdrafts		6	7

Profit and Loss Account

(in thousands of euros)	Notes Part C	31 Dec. 2022	31 Dec. 2021
OPERATING INCOME			
Property rentals		63,445	86,226
Service revenue		1,747	1,961
Total revenue	B - 1	65,192	88,187
Own-work capitalised		910	861
Reversals of depreciation, amortisation and provisions, and expense transfers	B - 2	32,998	27,980
Other income		4,823	2,256
Total I		103,923	119,284
OPERATING EXPENSES			
Other purchases and external charges	B - 3	28,670	24,827
Taxes other than on income	B - 4	8,184	9,229
Payroll costs	B - 5		
Wages and salaries		16,091	12,923
Payroll taxes and other employee benefits expenses		4,044	4,566
Depreciation, amortisation and provision expense			
Depreciation and amortisation expense		23,622	28,152
Impairment losses on current assets		335	1,424
Provision expense		6,443	6,002
Other expenses		377	4,464
Total II		87,766	91,587
OPERATING PROFIT (I - II)		16,157	27,697
FINANCIAL INCOME			
From investments in subsidiaries and affiliates		84,197	31,991
From other non-current financial assets		–	–
Other interest income		18,610	3,434
Reversals of provisions and impairment losses, and expense transfers		3,577	6,058
Total III	B - 7	106,384	41,483
FINANCIAL EXPENSES			
Depreciation, amortisation, impairment losses and other provision expense		10,564	1,073
Interest expense		31,537	28,287
Total IV	B - 7	42,101	29,360
NET FINANCIAL INCOME (III - IV)		64,283	12,123
PROFIT BEFORE TAX AND OTHER INCOME AND EXPENSE (I - II + III - IV)		80,440	39,820
OTHER INCOME			
From revenue transactions		962	20
From capital transactions		27,671	2,379,530
Reversals of provisions and impairment losses, and expense transfers		973	2,794
Total V		29,606	2,382,344
OTHER EXPENSES			
On revenue transactions		201	421
On capital transactions		50,181	1,321,221
Amortisation, impairment losses and other provision expense		1,349	1,570
Total VI		51,731	1,323,212
OTHER INCOME/(EXPENSE), NET (V - VI)	B - 8	(22,125)	1,059,132
Employee profit-sharing (IX)		124	5,850
Income tax expense (X)	B - 9	(42)	(49)
Total income (I + III + V)		239,913	2,543,111
Total expenses (II + IV + VI + IX + X)		181,680	1,449,960
Profit for the year		58,233	1,093,151

I – Accounting Policies

The financial statements are presented in accordance with regulation ANC no. 2014-03 (amended) on the French generally accepted accounting principles (GAAP) applicable to financial years ended 31 December 2022.

The financial year covers a period of 12 months.

The amounts in the notes to the financial statements below are presented in thousands of euros.

The financial statements have been prepared on a going concern basis, in accordance with the principles of prudence and segregation of accounting periods.

The main accounting policies, which have been applied consistently from one year to the next, are as follows:

a) Intangible assets

Intangible assets recognised in the balance sheet mainly consist of software purchased or developed for the Company's ERP system.

They are amortised by the straight-line method over their estimated useful life.

b) Property and equipment

1 – Cost

The property portfolio was revalued in 2003, when the Company elected for SIIC status.

All expenses, including eviction compensation paid to tenants of properties scheduled for large-scale renovation, are considered as an integral part of the renovation cost and are therefore capitalised.

Capitalised renovation costs also include borrowing costs for the period until the property is put back on the rental market, calculated at the average month-end interest rate after hedging.

The cost of properties does not include transaction expenses.

2 – Depreciation and impairment

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 over its useful life. The depreciation method used reflects the pattern in which the asset's future economic benefits are expected to be consumed.

Properties held in the portfolio when the component approach was adopted were analysed by estimating the cost of rebuilding or replacing each part of the property, its degree of wear and tear and its useful life. These technical data were used to determine the proportion of each property's value represented by each component part. This ratio was then applied to the revaluations at 1 January 2005 that were used as deemed cost at that date.

The useful lives of the component parts of investment property are as follows, except for certain specific cases which do not materially affect depreciation expense:

Shell	100 to 125 years
Roof, windows, doors	20 to 125 years
Fixtures and installations	10 to 50 years
Fittings and equipment	5 to 40 years

Depreciation is calculated by the straight-line method, based on:

- The useful lives of the component parts of the property. 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 over its respective useful life.
- The cost of the asset less its residual value.

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Accelerated depreciation is calculated for tax purposes on the residual value, in accordance with the tax instruction issued in 2005.

Properties in the portfolio are valued at six-monthly intervals in order to compare their period-end carrying amount to their appraisal value. The appraisals are performed by independent valuers. The carrying amount – corresponding to value in use – may not exceed the properties' appraisal value.

Any impairment loss is determined by comparing their carrying amount to their appraisal value excluding transfer costs.

An impairment provision is recognised for each property whose carrying amount is greater than its appraisal value excluding transfer costs. The impairment provision is allocated to the extent possible to each asset's non-depreciable components and is adjusted each year based on the new appraisal value.

Valuation method

The methods used to value the properties in the portfolio comply with the *Charte de l'Expertise en Evaluation Immobilière* (property valuation charter), the February 2000 report of France's securities regulator (COB, renamed AMF), and the standards issued by The European Group of Valuers' Associations (TEGoVA) as well as with Royal Institution of Chartered Surveyors (RICS) standards.

Independent experts are rotated in compliance with the SIIC code of ethics, which states:

"Regardless of the number of independent experts used by the SIIC, the following principles must be upheld:

- Appointments should be based on a selection process evaluating each candidate's independence, qualifications and competency to value property within the asset classes and geographical locations concerned.
- When a firm of valuers is used, the SIIC should ensure that the firm's internal valuation teams are rotated after a period of seven years.
- An independent valuer may serve for no more than two four-year terms for any given client, unless that valuer is a company in which case the above team rotation rule applies."

The valuation of the portfolio at 31 December 2022 was performed by the two independent experts:

- Cushman & Wakefield (in charge of half-yearly appraisals at SFL since 2017),
- CBRE (in charge of half-yearly appraisals at SFL since 2019).

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 year beyond the lease expiry dates, any rent-free years and rent step-ups, vacancy risk and projected changes in the construction cost index (ICC), office rent index (ILAT) and retail rent index (ILC). Each property is analysed in detail, according to the type of use and the surface area of each unit, lease by lease.

Based on information provided by SFL, the valuers noted that rents on certain units were above or below market rents for the year 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. Asset valuations include the estimated cost of future repairs and renovations (based on expenditure budgets for properties in the process of being redeveloped), including any lessor contributions to the cost of work carried out by the tenant.

Net cash flows for the final year of the projection period are capitalised to calculate the terminal value, corresponding to the property's resale price at the end of the period.

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

c) Non-current financial assets

Non-current financial assets are stated at cost, and a provision for impairment is recorded if fair value is less than this amount at the balance sheet date.

The fair value of shares in subsidiaries and affiliates corresponds to the investment's fair value to the Company and takes into account unrealised capital losses on the subsidiary's property assets, as determined based on the independent valuations performed at each year end by the method described in paragraph b) 2- above.

An additional provision is recorded when the Company has an obligation to cover losses in excess of the amount of its interest in the subsidiary or affiliate concerned.

The total provision is booked against the following items, in the order listed: shares in subsidiaries and affiliates, long-term receivables and current account advances, with any balance recognised in liabilities under provisions for contingencies.

d) Rental receivables

Rental receivables are measured at the lower of their nominal value and recoverable amount, determined on a case-by-case basis. A provision for doubtful accounts is recorded for rental receivables that present a risk of non-recovery.

Provisions are calculated at the following rates, based on the amount of the receivable excluding tax, net of the guarantee deposit:

- Residential leases: 100%.
- Office and retail leases: 50% when the tenant is still occupying the premises; 100% when they have vacated the premises.

Provisions calculated at the above rates are adjusted where appropriate to take specific situations into account.

e) Current financial assets

Current financial assets are stated at the lower of cost and fair value, with fair value corresponding to the average market price for the last month of the period.

f) Debt issuance costs and redemption premiums

Bond issuance costs, bank loan arranging fees and bond redemption premiums are recognised under deferred charges in assets, and amortised to the profit and loss account on a straight-line basis over the term of the loans to which they relate.

g) Financial instruments

SFL uses financial instruments such as swaps to manage interest rate risk.

The instruments used may consist of interest rate swaps, caps or floors.

Premiums paid when the contracts are signed are recorded under financial instruments on the assets side of the balance sheet and amortised to the profit and loss account on a straight-line basis.

Interest income or expense is recognised in the profit and loss account by the accruals method.

Interest rate differentials on swaps are recognised in financial income or expense over the life of the instruments.

h) Operating income and expenses

Operating income consists mainly of rental income and property expenses recovered from tenants.

Company Financial Statements for the Year Ended 31 December 2022

Rent and property expenses are invoiced to tenants on a cash basis in accordance with the terms of the lease.

The effect of rent step-up clauses and rent-free periods included in leases in line with market conditions prevailing when the lease is signed is not deferred but is recognised immediately in profit or loss (method adopted by SFL).

Expense transfers correspond mainly to property expenses billed to tenants (including property tax and office tax), and expenses included in the cost of properties undergoing redevelopment.

Lease termination penalties correspond to penalties charged to tenants for terminating their lease before the contractual expiry date. They are recognised in revenue for the period in which they are billed.

Key money paid by tenants is recognised over the non-cancelable lease term.

Marketing, re-marketing and lease renewal costs are recognised as expenses for the year in which they are incurred.

i) Income tax

Since 1 January 2003, SFL has elected to be taxed as an SIIC. Under the SIIC regime:

- the operating profit and capital gains of businesses eligible for the SIIC regime are exempt from corporate income tax;
- the activities that are not eligible for this regime are liable for corporate income tax.

j) Financial income and expense

Balancing payments received or paid on early repayment of loans are reported under other financial income or expenses.

Financial expense transfers correspond to reclassifications of borrowing costs that are recognised on a straight-line basis over the life of the debt. They also include borrowing costs capitalised as part of the redevelopment cost of property assets.

II – Significant Events of the Year

1) Property Transactions

Properties undergoing redevelopment represented roughly 22% of the total portfolio by surface area at 31 December 2022. The two main projects currently in progress concern:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in late 2023 under a turnkey lease on over 20,000 sq.m. Work on the project was pursued during the year according to schedule.
- The Rives de Seine office building on Quai de la Rapée in Paris (approximately 23,000 sq.m.), which was vacated by the tenant on 30 September 2022 and will be extensively redeveloped. The application for a building permit has been filed and work is starting in the first half of 2023, with delivery scheduled for the first half of 2026.

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

On 25 April 2022, SFL acquired from Primonial REIM France all of the shares of SCI Pasteur 123, owner of the Pasteur building located at 91-93 boulevard Pasteur in the 15th arrondissement of Paris.

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

In 2022, leases were signed on around 28,000 sq.m. of mainly office space, including the office space in the Biome complex (see above).

2) Financing activities

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

- Issuance of two €99 million taps on the 0.5% bonds due 2028 and the 1.5% bonds due 2027.
- Signature with Caixabank and Banco Sabadell of two new five-year revolving lines of credit, in the amounts of €100 million and €50 million respectively.
- Rollover of the Cadif €175 million 3-year revolving credit line expiring in June 2023 and the BECM €150 million 5-year revolving credit line expiring in July 2023 with an increase in the amount of the facility to €200 million.
- Signature with a pool of five banks of a 5-year €300 million Term Loan.

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

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

These transactions have strengthened SFL's liquidity position and extended the average maturity of the Group's debt as part of its proactive balance sheet management strategy. The funds will be used for general corporate purposes.

3) Impact of the Ukraine crisis on the Company's financial statements

The war in Ukraine has had virtually no impact on SFL's business and financial statements for 2022, as all of its assets and customers are located in France and it has no exposure to the countries involved in the conflict.

The indirect consequences (rising interest rates, raw materials cost inflation, etc.) are difficult to assess at this stage, particularly insofar as they are difficult to dissociate from other macroeconomic impacts not linked to the conflict in Ukraine. Rising interest rates could have an impact on financing, but their effect would remain limited due to its debt structure – at 31 December 2022, after hedging, 92% of Group debt was at fixed rates.

To date, the impact of raw materials cost inflation on operations has been contained and SFL has not incurred any additional costs or construction delays. There are likely to be impacts in the future, but operations programmes are already being adapted to minimise these impacts without affecting our products.

4) Subsequent events

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

III – Effects of Climate Change

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

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

1) Effects of climate change on the Company's financial position

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

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

- The impact on appraisal values should be positive. The Company's buildings are recognised as being of a high environmental quality (as evidenced by the certifications they have received) and the appraisers have therefore included an 18% average premium in their estimates of market rents and capitalisation rates.
- Capital expenditure and building operating costs are likely to increase to cover the cost of work needed to anticipate changes in industry regulations and strengthen customer loyalty. For example, it will be necessary to install LED lighting, more efficient heating systems, and digital technical systems to track energy use more accurately.
- Various other expenditures will be necessary, such as environmental certification costs (mainly Building Research Establishment Environmental Assessment Method (BREEAM), Global Real Estate Sustainability Benchmark (GRESB), and European Public Real Estate Association (EPRA)), ESG data publication costs (data collection, preparation of reports, other internal and external resources), and the cost of bonuses paid to certain employees and/or members of the Management Committee for meeting ESG objectives.

2) Green financing

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

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

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

3) Other potential effects on the financial statements

Other potential climate-related effects, none of which had an impact on the 2022 financial statements, include:

- Environmental levies: the Company's investment choices have ensured that it is in compliance with climate-related regulations. As a result, the Company has not received any penalties for non-compliance. A regulatory watch system has been set up to anticipate changes in climate-related legal requirements and proactively initiate any necessary compliance measures. No impairment losses were recorded for environmental risks in 2022.

IV – Notes to the Financial Statements

A – Notes to the Balance Sheet

A - 1) Non-current assets

A - 1.1) Intangible assets

(in thousands of euros)	31 Dec. 2021	Additions	Disposals	Reclassifications	31 Dec. 2022
Software	9,051		1,050		8,001
Intangible assets in progress	1,166	379	786		759
Total	10,217	379	1,836	–	8,760

Software includes both software licences and internally-developed software.

The change in accumulated amortisation can be analysed as follows:

(in thousands of euros)	31 Dec. 2021	Amortisation and impairment for the year	Amortisation and impairment written off on disposals and other	31 Dec. 2022
Software	7,217	754	1,049	6,922
Intangible assets in progress	786		786	–
Total	8,003	754	1,835	6,922

Amortisation and impairment of intangible assets relate to computer software.

A - 1.2) Property and equipment

(in thousands of euros)	31 Dec. 2021	Additions	Disposals	Reclassifications	31 Dec. 2022
Land	561,754		14,085	3,884	551,553
Buildings	279,228		14,085	139,575	404,718
Fixtures and fittings	296,741		10,260	66,398	352,879
Furniture and equipment	5,669		1,696		3,973
Assets under construction	354,645	88,409	331	(209,857)	232,866
Prepayments to suppliers of property and equipment	–	843			843
Total	1,498,037	89,252	40,457	–	1,546,832

Decreases for the year result from the sale of the Le Vaisseau building located in Issy-les-Moulineaux.

Additions to property and equipment generally correspond to costs accumulated in the “Assets under construction” account that are reclassified on delivery of the property to the appropriate depreciable asset accounts. The reclassification of €209,857 thousand to property, plant and equipment mainly concerns the Biome property.

Redevelopment work on the building was completed during the first half of the year and the property was delivered on 19 July 2022.

The change in accumulated depreciation can be analysed as follows:

(in thousands of euros)	31 Dec. 2021	Depreciation and impairment for the year	Depreciation and impairment written off on disposals and other	Reclassifications	31 Dec. 2022
Buildings	48,521	5,350	3,722		50,149
Fixtures and fittings	188,807	14,146	5,623		197,330
Furniture and equipment	4,085	1,024	1,696		3,413
Total	241,413	20,520	11,041	–	250,892

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Changes in impairment provisions can be analysed as follows:

(in thousands of euros)	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
Le Vaisseau	2,767		2,767	–
Total	2,767	–	2,767	–

Impairment loss reversed following the disposal of the property on 30 May 2022.

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

Geographic area	Value excluding transfer costs at 31 December 2022 (in millions of euros, on a 100% basis)	Inputs	Range of values ⁽¹⁾	Weighted average ⁽¹⁾
Paris Central Business District	2,545	Market rents Exit yield Discount rate	€725 - €975 3.10% - 3.40% 4.20% - 4.40%	€836 3.26% 4.34%
Other Paris	1,120	Market rents Exit yield Discount rate	€548 - €675 3.25% - 4.10% 4.60% - 5.50%	€585 3.71% 4.89%
Western Crescent	96	Market rents Exit yield Discount rate	€540 - €540 3.55% - 3.55% 4.60% - 4.60%	€479 3.55% 4.60%
Total	3,761			

(1) Offices.

A - 1.3) Non-current financial assets

(in thousands of euros)	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
Shares in subsidiaries and affiliates	1,507,237	282,175		1,789,412
Advances to subsidiaries and affiliates	25,969	36,608	25,969	36,608
Deposits	421	26		447
Total	1,533,627	318,809	25,969	1,826,467

On 25 April 2022, SFL acquired all the shares in SCI Pasteur from Primonial REIM France for €282,175 thousand.

Changes in impairment provisions can be analysed as follows:

(in thousands of euros)	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
SAS Maud shares	2,450			2,450
SAS SB2 shares	–	29		29
SAS SB3 shares	–	29		29
SCI SB3 shares	–	1		1
SAS 92 Champs-Élysées shares	–	6,934		6,934
Total	2,450	6,993	–	9,443

Company Financial Statements for the Year Ended 31 December 2022

List of subsidiaries and affiliates

Subsidiaries and affiliates	Share capital	Reserves and retained earnings before profit appropriation	% interest	Carrying amount of investment		Outstanding loans and advances granted by SFL	Outstanding guarantees	Last published net revenue	Last published profit	Dividends received during the year	Observations
				Cost	Net						
A – Investments with a gross value in excess of 1% of SFL's capital:											
1. Subsidiaries (at least 50%-owned)											
SCI Paul Cézanne	56,934	86,047	51%	148,842	148,842	–	–	12,606	5,966	–	–
SCI 103 Grenelle	–	165,593	51%	81,861	81,861	–	–	10,308	6,401	–	–
SCI Washington	94,872	21,605	100%	330,533	330,533	151,072	–	22,397	14,212	–	–
SAS Maud	1,480	(2,738)	100%	2,450	0	2,784	–	5,328	(174)	–	–
SAS 92 Champs-Élysées	101,971	290,177	51%	206,929	199,995	–	–	11,495	(2,768)	312	–
SAS Cloud	178,195	510,639	51%	362,609	362,609	–	–	17,983	2,634	909	–
SCI Pasteur 123	14,365	9,141	100%	282,175	282,175	176,140	–	17,360	6,125	–	–
SAS Parholding	15,000	10,495	100%	373,713	373,713	187,173	–	–	7,638	13,115	–
2. Affiliates (10-50%-owned)											
B – Aggregate information about investments not listed in A above:											
Subsidiaries (at least 50%-owned)	–	–	–	300	241	181,463	–	–	10,398	179	–
Affiliates (less than 50%-owned)	–	–	–	–	–	–	–	–	–	–	–

A - 2) Receivables

Receivables can be analysed as follows by maturity:

(in thousands of euros)	Total	<i>o/w accrued income</i>	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Prepayments to suppliers	56	–	56	–	–
Trade receivables	4,726	2,494	4,726	–	–
Other					
• Employee advances	6	2	6	–	–
• Prepaid and recoverable taxes	9,878	925	9,878	–	–
• Current account advances	698,632	1,980	698,632	–	–
• Miscellaneous receivables	1,967	744	1,967	–	–
Prepaid expenses	551	–	551	–	–

"Current account advances" include dividends receivable from subsidiaries.

Provisions for impairment of receivables (in thousands of euros)	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
Rental receivables	754	154	160	748
SAS Maud current account advance	1,084	174	–	1,258
SCI SB3 current account advance	–	7	–	7
Total	1,838	335	160	2,013

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A - 3) Current financial assets

Marketable securities consist exclusively of treasury shares.

The carrying amount of treasury shares held by SFL at 31 December 2022 was €2,947 thousand.

Treasury shares	31 Dec. 2021	Increases*	Decreases	31 Dec. 2022
Number of shares	114,163	32,892	95,340	51,715
Average purchase/sale price	€60.81	€85.56	€71.42	€56.98
Total	6,942	2,814	6,810	2,947

* Including 22,008 shares allocated to performance share plans.

Treasury shares allocated to performance share plans concern SFL Group companies and are carried at cost.

(in thousands of euros)	Number of shares	Cost	Provisions	Net	Market value	Gross gain or loss
Shares allocated to share-based payment plans						
2020 performance share plan	23,520	1,835	n.a.	1,835		
Sub-total	23,520	1,835	–	1,835		
Available treasury shares						
Shares held for future stock-for-stock acquisitions	–	–	–	–	–	–
Shares held for external growth transactions	23,283	705	–	705	1,960	1,255
Shares held under the liquidity contract	4,912	407	–	407	413	6
Sub-total	28,195	1,112	–	1,112		
Total	51,715	2,947	–	2,947		

Performance share plans

The plans' main features are as follows:

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

The expected vesting rate is adjusted to reflect SFL's most probable ranking at the end of the vesting period.

At 31 December 2022, the rates applied were 200% for the 2020 plan (probable ranking: no. 1) and 100% for the 2021 and 2022 plans (probable ranking: no. 3).

Performance share plans for Company employees are as follows:

Details of the performance share plans	Plan no. 5		Plan no. 6
Date of General Meeting	20 Apr. 2018	20 Apr. 2018	15 Apr. 2021
Grant date (date of Board meeting)	6 Feb. 2020	11 Feb. 2021	18 Feb. 2022
End of vesting period	31 Dec. 2022	31 Dec. 2023	31 Dec. 2024
Initial expected vesting rate	100.00%	100.00%	100.00%
Target number of shares	33,164	31,948	29,140
SFL share price on the grant date	€78.00	€63.20	€86.20
SFL share price at 31 December 2022	€84.40	€84.40	€84.40

Company Financial Statements for the Year Ended 31 December 2022

(number)	Plan no. 5		Plan no. 6
Number of shares expected to vest at beginning of the year	32,752	31,664	–
Performance share rights granted during the year	32,624		29,140
Performance share rights cancelled during the year (departures/vesting conditions not met)	(128)	(128)	(128)
Expected vesting rate at 31 December 2022	200.00%	100.00%	100.00%
Number of shares expected to vest at 31 December 2022	65,248	31,536	29,012

A - 4) Financial instruments

(in thousands of euros)	Amortisation period	Total	Accumulated amortisation	Disposals	Net
CIC PRIME CAP €100m - Sept. 2022	6 months	58	39	–	19
Total		58	39	–	19

A - 5) Cash at bank and in hand

(in thousands of euros)	31 Dec. 2021	31 Dec. 2022
Cash at bank and in hand	22,883	20,796
Total	22,883	20,796

A - 6) Deferred charges

Loan arranging fees and commissions are amortised on a straight-line basis over the life of the loan and the deferred balance is adjusted in the event of any partial early repayment.

(in thousands of euros)	Amortisation period	Total	Accumulated amortisation at 31 Dec. 2021	Amortisation for the year	Accumulated amortisation at 31 Dec. 2022	Net
2015 bonds	7 years	2,407	2,233	174	2,407	–
2018 bonds	7 years	1,946	996	278	1,274	672
2020 bonds	7 years	2,277	515	325	840	1,437
2020 bonds – 2022 tap	5 years	215	–	25	25	190
2021 bonds	6.5 years	2,275	58	350	408	1,867
2021 bonds – 2022 tap	6 years	285	–	32	32	253
2017 CADIF loan	6 years	320	242	78	320	–
2017 CADIF loan, addendum 1	5.5 years	230	169	61	230	–
2017 Banque Postale loan	7 years	263	169	38	207	56
2018 BECM loan	5 years	525	359	166	525	–
2018 Société Générale loan	5 years	450	208	63	271	179
2019 BNP Paribas loan	5 years	1,478	739	296	1,035	443
2020 BNP Paribas loan	7 years	620	196	124	320	300
2022 CADIF loan	3 years	468	–	91	91	377
2022 BECM loan	5 years	800	–	67	67	733
2021 Intesa Sanpaolo loan	6 years	392	–	79	79	313
Intesa Sanpaolo loan, 2022 extension	6 years	100	–	–	–	100
Caixa Bank, 2022 loan	5 years	400	–	67	67	333
Sabadell, 2022 loan	5 years	178	–	3	3	175
2022 loan from the 5-member banking pool	5 years	1,887	–	31	31	1,856
Total		17,516	5,884	2,348	8,232	9,284

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A - 7) Redemption premiums

Redemption premiums are amortised on a straight-line basis over the life of the bonds and the deferred balance is adjusted in the event of any partial early repayment.

(in thousands of euros)	Amortisation period	Total	Amortisation for the year	Accumulated amortisation	Net
2015 bonds	7 years	735	53	735	–
2018 bonds	7 years	4,005	572	2,622	1,383
2020 bonds	7 years	2,105	301	777	1,328
2020 bonds – 2022 tap	5 years	6,512	760	760	5,752
2021 bonds	6.5 years	3,870	595	695	3,175
2021 bonds – 2022 tap	6 years	11,613	1,290	1,290	10,323
Total		28,840	3,571	6,879	21,961

A - 8) Equity

A - 8.1) Changes in equity

A. Equity at 31 December 2021 before appropriation of profit for the year	1,393,372
Dividend decided by the Annual General Meeting of 7 April 2022	(179,828)
B. Contributions received with retroactive effect to the beginning of the reporting period	–
C. Equity at 1 January 2022 after appropriation of 2021 profit	1,213,544
D. Movements for the year:	
1. Reduction in capital	–
2. Changes in share premium account, reserves, retained earnings	–
3. Changes in untaxed reserves	–
4. Changes in revaluation reserve	–
5. Changes in untaxed provisions and government grants	1,349
6. Other movements	–
7. Profit for the year	58,233
E. Equity at 31 December 2022 before appropriation of profit for the year	1,273,126
F. Change in equity during the year	(120,246)
G. of which: changes due to changes in structure during the year	–
I. Other changes in equity during the year	(120,246)

At 31 December 2022, the Company's share capital comprised 42,864,715 ordinary shares with a par value of €2. The number of voting rights at that date was 42,812,937.

Société Foncière Lyonnaise is a subsidiary of Spanish company Inmobiliaria Colonial SA, which owned 98.33% of the capital at 31 December 2022.

Untaxed provisions correspond exclusively to accelerated capital allowances, representing excess tax depreciation calculated on the residual value of certain properties.

(in thousands of euros)	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
Excess tax depreciation	23,509	1,349	–	24,858
Total	23,509	1,349	–	24,858

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A - 8.2) Dividends

(in thousands of euros)	2021		2022	
	Paid	Per share	Paid	Per share
Dividend paid in the reporting year	97,476	€2.10	179,828	€4.20
Total	97,476	€2.10	179,828	€4.20

A - 8.3) Provisions for contingencies and charges

(in thousands of euros)	31 Dec. 2021	Increases	Decreases	31 Dec. 2022
Provisions for employee benefits	7,997	6,291	5,130	9,158
Short-term provisions for contingencies	–	152	–	152
Total	7,997	6,443	5,130	9,310

Provisions for contingencies and charges are determined using Management estimates and assumptions based on information and circumstances existing at the time of the preparation of the financial statements, and Management's judgement.

Provisions for employee benefits include performance share plan costs deferred over three years from the grant date. Delivery of shares awarded under the 2019 plan led to the reversal of €5,130 thousand from the provision (including the specific employer contribution).

A - 9) Liabilities

Liabilities can be analysed as follows by maturity:

(in thousands of euros)	Total	<i>o/w accrued expenses</i>	Due within 1 year	In 1 to 5 years	Due beyond 5 years
Bonds	1,709,721	11,721	11,721	1,099,000	599,000
Bank borrowings	400,767	767	767	400,000	–
Other borrowings and financial liabilities					
. Tenant deposits	16,329	–	1,526	1,460	13,343
. Negotiable European commercial paper (NEU CP)	409,000	–	409,000	–	–
. Current account advances	3,068	–	3,068	–	–
Prepaid property rentals	11,310	–	11,310	–	–
Trade payables	7,053	6,855	7,053	–	–
Accrued payroll costs	10,679	10,139	10,679	–	–
Accrued taxes	457	–	457	–	–
Due to suppliers of property	25,047	23,966	25,047	–	–
Other liabilities	7,745	538	7,745	–	–
Total	2,601,176	53,986	488,373	1,500,460	612,343

Prepaid property rentals correspond to rent and property expenses for the first quarter of 2023 payable in advance.

The amounts reported under "Due to suppliers of property" correspond mainly to invoices for redevelopment work on the Louvre Saint-Honoré, Biome and Rives de Seine buildings.

Accrued payroll costs include statutory and discretionary profit-sharing and bonus accruals.

(in thousands of euros)	31 Dec. 2022	31 Dec. 2021	Year-on-year change
2015 bonds	–	290,421	(290,421)
2018 bonds	504,459	504,459	–
2020 bonds	604,170	504,315	99,855
2021 bonds	601,092	500,493	100,599
BNP loan	400,761	–	400,761
Bank overdrafts	6	7	(1)
Negotiable European commercial paper (NEU CP)	409,000	117,000	292,000
Total	2,519,488	1,916,695	602,793

B – Notes to the Profit and Loss Account

B - 1) Net revenue

(in thousands of euros)	2022	2021
Property rentals	61,180	84,612
Property and facility management fees	2,265	1,614
Sub-total	63,445	86,226
Payments received for seconded employees	1,563	1,801
Other service revenue	184	160
Sub-total	1,747	1,961
Total	65,192	88,187

The Company reported revenue of €65,192 thousand in 2022 compared with €88,187 thousand in 2021. The decrease of €22,757 thousand (down 26.1%) was mainly due to:

- the transfer of two properties to the subsidiaries SAS Cloud and SAS 92 Champs-Élysées in 2021 (for €20,141 thousand),
- the departure of the sole tenant of the Rives de Seine building (for €3,128 thousand).

B - 2) Reversals of provisions and impairment losses, and expense transfers

(in thousands of euros)	2022	2021
Reversals of provisions for doubtful receivables	160	49
Reversals of provisions for contingencies and charges	5,130	4,540
Impairment loss reversed on the sale of a building	2,767	–
Sub-total	8,057	4,589
Costs and taxes recovered from tenants	14,084	15,005
Other expense transfers	10,857	8,386
Sub-total	24,941	23,391
Total	32,998	27,980

B - 3) Other purchases and external charges

(in thousands of euros)	2022	2021
Reinvoiced costs	8,372	9,423
Other purchased services and expenses	20,298	15,404
Total	28,670	24,827

B - 4) Taxes other than on income

(in thousands of euros)	2022	2021
Recoverable taxes	5,432	5,894
Other taxes	2,752	3,335
Total	8,184	9,229

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B - 5) Payroll costs

(in thousands of euros)	Administrative staff	Building staff	2022 total	2021 total
Wages and salaries				
Wages and salaries	16,012	79	16,091	12,923
Sub-total	16,012	79	16,091	12,923
Payroll taxes and other employee benefits expenses				
Social security taxes and disability/health insurance premiums	3,451	22	3,473	3,994
Other employee benefits expenses	559	12	571	572
Sub-total	4,010	34	4,044	4,566
Total	20,022	113	20,135	17,489

The remuneration awarded to senior management (including bonuses, benefits in kind, corporate savings plan rights, termination benefits, etc.) amounted to €4,764 thousand in 2022 (2021: €3,321 thousand).

Directors' fees for the year awarded to the members of the Board of Directors represented a total of €321 thousand in 2022.

B - 6) Number of employees

(number)	2022	2021
Building caretakers	2	2
Supervisors	8	7
Managers	51	51
Total	61	60

B - 7) Net financial expense

(in thousands of euros)	2022	2021
Dividends from SAS Parholding	13,115	4,242
Dividends from SA Segpim	179	1,779
Dividends from SAS 92 Champs-Élysées	5,855	–
Dividends from SAS Cloud	13,650	–
Revenue from SCI Paul Cézanne	15,282	3,105
Revenue from SNC Condorcet Holding	9,964	8,634
Revenue from SCI Washington	14,212	12,152
Revenue from SCI 103 Grenelle	5,815	2,079
Revenue from SCI Pasteur 123	6,125	–
Sub-total	84,197	31,991
Interest income from current account advances to subsidiaries	3,311	905
Other financial income (a)	15,300	2,529
Sub-total	18,611	3,434
Capitalised interest expense (b)	3,576	6,058
Sub-total	3,576	6,058
Financial income	106,384	41,483
Change in provisions for bond redemption premiums	3,571	1,073
Impairment of shares in subsidiaries and affiliates	6,993	–
Sub-total	10,564	1,073
Interest expense on bonds and bank loans	25,655	25,125
Interest expense on current account advances from subsidiaries	475	69
Interest expense on bank overdrafts	19	102
Interest on negotiable European commercial paper (NEU CP)	1,145	(793)
Bank loan arranging fees	3,950	3,784
Expenses on financial instruments	293	–
Sub-total	31,537	28,287
Financial expenses	42,101	29,360

(a) A balancing payment of €15,295 thousand was received on the two hedging instruments unwound in 2022.

(b) Capitalised interest expense corresponds to interest capitalised during the redevelopment of the Louvre Saint-Honoré, Biome and Rives de Seine buildings in 2022.

(c) Impairment losses on shares in subsidiaries and affiliates are analysed in A - 1.3).

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B - 8) Other income and expenses

(in thousands of euros)	2022	2021
Capital losses on disposals of assets (a)	(2,822)	144,681
Gains on exchanges and sales of properties and financial assets	–	917,459
Value of shares allocated to holders of vested performance share rights	(4,030)	(3,837)
Transaction costs on purchases of shares in subsidiaries and affiliates (b)	(14,885)	–
Capital gains and losses on share buybacks	13	6
Charges to/(reversals from) depreciation, amortisation and untaxed provisions	(1,349)	944
Other operating income and expenses, net	(3)	(397)
Tax rebates received	951	–
Charges to provisions related to departing tenants, net of reversals	–	276
Total	(22,125)	1,059,132

(a) The capital loss of €2,822 thousand corresponds to the disposal of the Le Vaisseau building.

(b) Transaction costs of €14,885 thousand relate to the purchase of shares in SCI Pasteur 123.

B - 9) Income tax expense

(in thousands of euros)	2022	2021
Corporate income tax expense	(42)	(49)
Total	(42)	(49)

C – Related party transactions

Related party transactions (other than transactions with subsidiaries) are routine transactions carried out on arm's length terms. Transactions not fulfilling this criterion are not material.

The Company has no off-balance sheet commitments with related parties.

D – Off-balance sheet commitments

Guarantees and other commitments

(in thousands of euros)	Total	Within 1 year	In 1 to 5 years	Beyond 5 years
Commitments given				
Locaparis real estate guarantees	110	110		
Commitments received				
Guarantees received from tenants	66,044	56,655	6,446	2,943
Guarantees received from suppliers	37,269	37,269		
Undrawn confirmed lines of credit				
BECM loan	200,000		200,000	
Caixabank	100,000		100,000	
Banco Sabadell	50,000		50,000	
Cadif loan	175,000		175,000	
Société Générale loan	100,000		100,000	
2019 BNP Paribas loan	290,000		290,000	
Banque Postale loan	75,000		75,000	
Intesa Sanpaolo loan	100,000		100,000	
2020 BNP Paribas loan	150,000		150,000	

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Hedging portfolio

At 31 December 2022, derivatives held by the Company included:

- Counterparty: CIC. 6-month 2% cap vs the 3-month Euribor on a notional amount of €100,000 thousand. Premium: €58 thousand. The cap came into effect on 14 September 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €10 thousand (including the borrowing cost).
- Counterparty: CIC. 5-year interest rate swap on a notional amount of €100,000 thousand, whereby CIC pays the 3-month Euribor and SFL pays a fixed rate of 2.6250%. The swap came into effect on 14 November 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €1,873 thousand (including the borrowing cost).
- Counterparty: Société Générale. 7-year interest rate swap on a notional amount of €100,000 thousand, whereby Société Générale pays the 3-month Euribor and SFL pays a fixed rate of 2.4920%. The swap came into effect on 6 December 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €3,200 thousand (including the borrowing cost).
- Counterparty: CIC. 7-year interest rate swap on a notional amount of €100,000 thousand, whereby CIC pays the 3-month

Euribor and SFL pays a fixed rate of 2.4240%. The swap came into effect on 6 December 2022 and is a cash flow hedge qualifying for hedge accounting. At 31 December 2022, the swap had a positive fair value of €3,635 thousand (including the borrowing cost).

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

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

- a 7-year collar set up with Société Générale (the option writer) on a notional amount of €100,000 thousand, with a -0.11% cap and a -0.60% floor. No premium was payable on this collar, which came into effect on 4 September 2019 and was restructured in May 2021; and
- a 5-year collar set up with CIC (the option writer) on a notional amount of €100,000 thousand, with a -0.25% cap and a -0.52% floor. No premium was payable on this collar, which came into effect on 16 November 2022.

Fair value of hedging instruments	Notional amount	Maturity	31 Dec. 2022	31 Dec. 2021
Société Générale collar -0.11%/-0.60%	100,000	April 2022 ⁽¹⁾	–	1,671
CIC collar -0.25%/-0.52%	100,000	June 2022 ⁽¹⁾	–	2,453
CIC cap at 2%	100,000	March 2023	10	–
CIC swap at 2.625%	100,000	Nov. 2027	1,873	–
Soc. Gen swap at 2.492%	100,000	Dec. 2029	3,200	–
CIC swap at 2.4240%	100,000	Dec. 2029	3,635	–
Cadif 2.4925% swap	200,000	Dec. 2029	6,396	–
Total			15,114	4,124

(1) Date on which the instrument was unwound.

Contractual redevelopment and renovation obligations

At 31 December 2022, the Company's contractual commitments relating to investment property undergoing redevelopment or renovation totalled €38,522 thousand (31 December 2021: €78,224 thousand), of which €19,787 thousand concerned the Louvre Saint-Honoré and Rives de Seine properties.

Employee benefits

SFL has elected not to use the recommended method for recognising pension and other post-employment benefit obligations.

The amount of these obligations, for which no provision has been set aside, stood at €931 thousand at 31 December 2022.

The benefit cost is determined based on employee service rendered up to the measurement date, assuming employees retire at their own initiative and that, consequently, the benefits are subject to payroll taxes.

The calculation parameters are determined on a historical basis. The projected benefit obligation is calculated annually based on actuarial assumptions, including a discount rate of 3.12% at 31 December 2022 (31 December 2021: 0.78%) and a 2.50% rate of future salary increases (unchanged from 31 December 2021).

SFL'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 Company provide for the payment of one month's salary to:

- administrative staff who complete 20, 30, 35 and 40 years of service, and
- building staff who complete 25 years of service.

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

E - Consolidation

Société Foncière Lyonnaise is included in the consolidated financial statements of Inmobiliaria Colonial SA, a company governed by Spanish law and listed on the Madrid stock exchange (ISIN: ES0139140018).