

SFL – First-Half 2017 Results

Rental income: €98.6 million, up 2.9% like-for-like
EPRA earnings: €49.7 million (down 1.8%)
Attributable net profit: €378.7 million
Property portfolio value: €6,144 million (up 7.1%)
EPRA NNAV: €73.5 per share (up 11.0%)

The interim consolidated financial statements for the six months ended 30 June 2017 were approved by the Board of Directors of Société Foncière Lyonnaise on 27 July 2017, at a meeting chaired by Juan-Jose Brugera.

First-half business indicators were robust, thanks to the high portfolio occupancy rate, while the period also saw gains in the portfolio's appraisal value and the Company's net asset value.

The auditors have completed their review of the interim financial statements.

Consolidated data (€ millions)

	H1 2017	H1 2016	Change
Rental income	98.6	102.0	-3.3%
Adjusted operating profit*	82.5	86.4	-4.5%
Attributable net profit	378.7	309.8	+22.3%
EPRA earnings	49.7	50.6	-1.8%

* Operating profit before disposals and fair value adjustments

	30/06/2017	31/12/2016	Change
Attributable equity	3,455	3,123	+10.6%
Consolidated portfolio value excluding transfer costs	6,144	5,736	+7.1%
Consolidated portfolio value including transfer costs	6,523	6,092	+7.1%
EPRA NNAV	3,421	3,082	+11.0%
EPRA NNAV per share	€73.5	€66.2	

Results: robust business indicators

- Rental income for the period amounted to €98.6 million, down by a modest €3.3 million from the €102.0 million reported in first-half 2016.

- On a like-for-like basis (excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €2.7 million higher, a 2.9% increase that was mainly attributable to the new leases signed in 2016.
- Changes in assets under redevelopment between the two periods had a €4.3 million negative impact on rental income, with several floors of offices in the Cézanne Saint-Honoré complex and other properties taken off the market for extensive renovation after tenants moved out in 2016.
- The impact was partly offset by lease termination penalties received from tenants, which added a net €0.5 million to rental income for first-half 2017 compared with €2.2 million in the year-earlier period.

- Operating profit before disposal gains and losses and fair value adjustments to investment properties amounted to €82.5 million in first-half 2017 versus €86.4 million in the year-earlier period.

- The portfolio's appraisal value as of 30 June 2017 was 7.1% higher on a comparable basis than as of 31 December 2016. The increase led to the recognition of positive fair value adjustments to investment properties of €382.6 million at 30 June 2017 versus positive adjustments of €285.8 million at 30 June 2016.

- Net finance costs amounted to €21.2 million in first-half 2017 compared with €25.0 million in the year-earlier period, a saving of €3.9 million that primarily reflected the Group's lower average cost of debt.

- After taking into account these key items, the Group reported attributable net profit for the period of €378.7 million versus €309.8 million in first-half 2016. EPRA earnings came to €49.7 million in first-half 2017 compared with €50.6 million in the year-earlier period.

First-half 2017 Business Review

Rental operations

In a resilient rental market shaped by stable volumes in the Paris region compared with 2016 and a shortage of high quality properties in the capital, during first-half 2017 SFL signed leases on some 12,000 sq.m. on good terms.

The new leases were signed at an average nominal rent of €678 per square metre, corresponding to an effective rent of €585 per square metre.

The occupancy rate for revenue-generating properties remained high, standing at 95.5% as of 30 June 2017 compared with 97.0% as of 31 December 2016. The remaining vacant units are located mainly in the Cézanne Saint-Honoré, Washington Plaza and Issy-les-Moulineaux properties.

Development operations

Capital expenditure for first-half 2017 amounted to €12.5 million and mainly concerned the renovation of vacated floors in existing buildings and preliminary work on the Louvre Saint-Honoré and 112 Emile Zola (SMA) development projects.

Portfolio operations

On 13 January 2017, SFL entered into a €165-million deal to acquire SMA's historical headquarters building on Avenue Emile Zola in the 15th *arrondissement* of Paris. The 21,000-sq.m. property will be redeveloped to create a major new business centre in the west of the capital. Contracts will be exchanged when SMA moves to its new headquarters in the fourth quarter of 2017 (for more details, see the press release dated 16 January 2017).

No properties were divested in the first half of 2017. However, as part of the Group's portfolio management strategy, the In/Out property in Boulogne-Billancourt was put up for sale during the period.

As of the period-end a buyer had been found and a sale agreement was signed on 25 July. The sale of this asset to Primonial is due to be finalised during the second half of the year.

Financing: historically low average borrowing costs

Net debt at 30 June 2017 amounted to €1,949 million, compared with €1,931 million at 31 December 2016, representing a loan-to-value ratio of 29.9%. At that date, the average cost of debt after hedging was 1.9% and the average maturity was 4.1 years.

In June 2017, two new bilateral revolving credit facilities were obtained for periods of six and seven years respectively, representing a total borrowing capacity of €175 million.

As of 30 June 2017, SFL had €675 million in undrawn lines of credit.

Net Asset Value

The consolidated market value of the portfolio at 30 June 2017 was €6,144 million excluding transfer costs, an increase of 7.1% from €5,736 million at 31 December 2016 that was primarily due to further tightening of Paris property yields.

The average EPRA topped-up net investment yield (NIY) stood at 3.3% as of 30 June 2017, compared with 3.6% as of 31 December 2016.

EPRA NNNAV stood at €3,421 million or €73.5 per share at 30 June 2017, an increase of 11.0% compared to €66.2 per share at 31 December 2016.

Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	H1 2017	H1 2016
Attributable net profit	378.7	309.8
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment properties	(382.6)	(285.8)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.0	0.7
Tax on the above items	20.1	5.5
Non-controlling interests in the above items	33.5	20.4
EPRA earnings	49.7	50.6

API EPRA NNAV

€ millions	30/06/2017	31/12/2016
Attributable equity	3,455	3,123
Treasury shares	12	14
Unrealised capital gains	17	16
Fair value adjustments to fixed rate debt	(63)	(71)
EPRA NNAV	3,421	3,082

API Net debt

€ millions	30/06/2017	31/12/2016
Long-term borrowings and derivative instruments	1,679	1,620
Short-term borrowings and other interest-bearing debt	371	389
Debt in the consolidated balance sheet	2,050	2,009
Less:		
Current account advances (liabilities)	(63)	(63)
Accrued interest and deferred debt arranging fees	(11)	6
Cash and cash equivalents	(27)	(20)
Net debt	1,949	1,931

More information is available at www.fonciere-lyonnaise.com

About SFL

Leader on the prime segment of the Parisian tertiary real estate market, Société Foncière Lyonnaise stands out for the quality of its property portfolio, which is valued at €6.1 billion and is concentrated on the Central Business District of Paris (#cloud.paris, Edouard VII, Washington Plaza, etc.), and for the quality of its client portfolio, which is composed of prestigious companies in the consulting, media, digital, luxury, finance and insurance sectors.

Stock market: Euronext Paris Compartment A – Euronext Paris ISIN FR0000033409 – Bloomberg: FLY FP – Reuters: FLYP PA

S&P rating: BBB with a positive outlook