

SFL – First-Half 2016 Results

Rental income: €102.0 million (up 25.3%)
EPRA earnings: €50.6 million (up 83.1%)
Attributable net profit: €309.8 million
Property portfolio value: €5,520 million (up 5.3%)
EPRA NNAV: €62.8 per share (up 7.4%)

The interim consolidated financial statements for the six months ended 30 June 2016 were approved by the Board of Directors of Société Foncière Lyonnaise on 26 July 2016, at its meeting chaired by Juan-Jose Brugera.

All of the Group's business indicators rose sharply during the period, representing the expected result of the portfolio's excellent occupancy rate as of 31 December 2015. In addition, in a Paris property market that is still highly valued by investors, the period saw a further rise in the portfolio's appraisal value and the Company's net asset value.

The auditors have completed their review of the interim financial information and are in the process of issuing their review report.

Consolidated data (€ millions)

	H1 2016	H1 2015	Change
Rental income	102.0	81.4	+25.3%
Operating profit before disposals and fair value adjustments	86.4	61.5	+40.5%
Attributable net profit	309.8	205.6	+50.7%
EPRA earnings	50.6	27.6	+83.1%

	30/06/2016	31/12/2015	Change
Attributable equity	2,977	2,713	+9.7%
Consolidated portfolio value excluding transfer costs	5,520	5,242	+5.3%
Consolidated portfolio value including transfer costs	5,863	5,519	+6.2%
EPRA NNAV	2,923	2,721	+7.4%
EPRA NNAV per share	€62.8	€58.5	

Results: very strong growth

- Rental income stood at €102.0 million in first-half 2016, compared with €81.4 million in the year earlier period, an increase of €20.6 million (25.3%).

- On a comparable portfolio basis, rental income rose by €7.9 million (10.5%) due in particular to the signature of a lease on the In/Out building which came into effect on 1 September 2015.
- First-half 2016 rental income from properties that were undergoing renovation in the comparable period expanded by €9.7 million, corresponding mainly to rent on the #cloud.paris building delivered in November 2015 and fully let.
- The acquisition of the Percier building in June 2015 generated a €0.8-million increase in rental income in first-half 2016.
- In addition, first-half 2016 revenues were boosted by a €2.2-million lease termination penalty paid by a former tenant of the 103 Grenelle building.

- Operating profit before disposals and fair value adjustments rose by 40.5% to €86.4 million in first-half 2016 versus €61.5 million in the same period of 2015.

- The portfolio's appraisal value on 30 June 2016 was 5.3% higher on a comparable basis than on 31 December 2015. The increase led to the recognition of positive fair value adjustments to investment properties of €285.8 million at 30 June 2016 versus positive adjustments of €217.3 million at 30 June 2015.

- Net finance costs amounted to €25.0 million in first-half 2016, compared with €27.9 million in the year earlier period. Recurring finance costs were stable overall at €24.3 million, with the lower average cost of debt offsetting the effect of higher total borrowings.

- After taking into account these key items, the Group reported attributable net profit for the period of €309.8 million versus €205.6 million in first-half 2015. EPRA earnings rose by 83.1% to €50.6 million in first-half 2016 from €27.6 million in the year earlier period.

First-half 2016 Business Review

Rental operations

In a still selective rental market shaped by stable volumes in the Paris region compared to 2015, SFL signed leases on some 20,000 sq.m. in the first half, including new leases on around 13,000 sq.m.

The average nominal rent for these office leases stands at €646 per sq.m. and the effective rent at €554 per sq.m.

The occupancy rate for revenue-generating properties at 30 June 2016 was 97.9%, compared with 86.0% at 30 June 2015 and 95.6% at 31 December 2015.

Development operations

Capital expenditure in first-half 2016 amounted to €19.9 million and mainly corresponded to the remaining work on major development projects that have now been completed. The development pipeline at 30 June 2016 concerned approximately 6% of the Group's portfolio and mainly consisted of the retail units in the Louvre-Saint-Honoré complex for which a development project is currently being prepared.

Portfolio operations

In June 2016, SFL exercised its option to acquire the 131 Wagram building upon expiry of the finance lease.

No properties were divested during the first half of 2016.

Financing: lower average borrowing costs

Net debt at 30 June 2016 amounted to €1,868 million, compared with €1,841 million at 31 December 2015, representing a loan-to-value ratio of 31.9%. At that date, the average cost of debt after hedging was 2.0% and the average maturity was 4.8 years.

In May 2016, SFL obtained a new €150-million 5-year revolving credit facility from BNPP.

At 30 June 2016, SFL also had €580 million in undrawn back-up lines of credit.

Net Asset Value

The consolidated market value of the portfolio at 30 June 2016 was €5,520 million excluding transfer costs, an increase of 5.3% from €5,242 million at 31 December 2015.

The average rental yield (based on 100% occupancy) was 4.0% at 30 June 2016 versus 4.2% at 31 December 2015, reflecting the narrower yields observed on the Paris property market during the first half. The EPRA yield (topped-up NIY) was stable at 3.8%.

EPRA NNAV stood at €2,923 million or €62.8 per share at 30 June 2016, compared with €58.5 per share at 31 December 2015, an increase of 7.4%.

Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	H1 2016	H1 2015
Attributable net profit	309.8	205.6
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment properties	(285.8)	(217.3)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.7	4.3
Tax on the above items	5.5	17.8
Non-controlling interests in the above items	20.4	17.3
EPRA earnings	50.6	27.6

API EPRA NNAV

€ millions	30/06/2016	31/12/2015
Attributable equity	2,977	2,713
Treasury shares	13	17
Unrealised capital gains	15	14
Fair value adjustments to fixed rate debt	(82)	(23)
EPRA NNAV	2,923	2,721

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 €5.5 billion and is concentrated on the Central Business District of Paris (Louvre Saint-Honoré, 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 stable outlook