

SFL - 2016 Annual Results

Rental income: €198.1 million (up 17.4%)
EPRA earnings: €100.9 million (up 53.3%)
Attributable net profit: €504.1 million
Property portfolio value: €5,736 million (up 9.4%)
EPRA NNAV: €66.2 per share (up 13.3%)

The financial statements for the year ended 31 December 2016 were approved by the Board of Directors of Société Foncière Lyonnaise on 10 February 2017 at a meeting chaired by Juan-José Brugera.

These financial statements show a very sharp rise in all of SFL's business indicators to a historic high, accompanied by further growth in the portfolio's appraisal value and the Company's net asset value.

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

Consolidated data (€ millions)

	2016	2015	Change
Rental income	198.1	168.8	+17.4%
Operating profit before disposals and fair value adjustments	169.7	135.3	+25.4%
Attributable net profit	504.1	492.9	n.m.
EPRA earnings	100.9	65.8	+53.3%

	31/12/2016	31/12/2015	Change
Attributable equity	3,123	2,713	+15.1%
Consolidated portfolio value excluding transfer costs	5,736	5,242	+9.4%
Consolidated portfolio value including transfer costs	6,092	5,519	+10.4%
EPRA NNAV	3,082	2,721	+13.3%
EPRA NNAV per share	€66.2	€58.5	

Results: business indicators at a historic high

- Rental income stood at €198.1 million in 2016 versus €168.8 million the year before, an increase of €29.3 million (up 17.4%):

- On a comparable portfolio basis, rental income rose by €10.8 million (up 7.1%), reflecting the lease on the In/Out building which came into effect on 1 September 2015 and various other new leases signed in 2015 and 2016, including at Washington Plaza.
- Rental income from properties that were undergoing renovation in the comparable period was €14.7 million higher, 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 €0.6-million increase in rental income in 2016.
- In addition, 2016 rental income was boosted by a €3.2-million lease termination penalties paid notably by a former tenant of the 103 Grenelle building.

- This increase in rental income combined with a €3.7-million reduction in property expenses not recovered from tenants helped to drive a 25.4% increase in operating profit before disposal gains and losses and fair value adjustments to investment properties to €169.7 million in 2016 from €135.3 million in 2015.

- The portfolio's appraisal value grew by 9.4% over the year on a comparable basis. The increase led to the recognition of positive fair value adjustments to investment properties of €438.0 million in 2016 (versus €513.7 million in 2015).

- Net finance costs amounted to €48.1 million in 2016 versus €69.6 million the year before. Non-recurring finance costs represented just €2.1 million in 2016, compared with the previous year's €22.3 million which included bond retirement costs. Recurring finance costs were down by €1.3 million in 2016, due to a reduction in the average cost of debt which offset the effect of higher total borrowings.

- After taking into account these key items, attributable net profit for the year came to €504.1 million versus €492.9 million in 2015. Excluding the impact of disposals, changes in the fair value of investment properties and financial instruments and the related tax effect, EPRA earnings rose by €35.1 million (up 53.3%) to €100.9 million in 2016 from €65.8 million in 2015.

Business review: very high occupancy rate

Rental operations

In a growing but still selective rental market, SFL signed leases on some 34,000 sq.m. in 2016. Highlights of the year included:

- Completion of the #cloud.paris marketing programme, with the signature of a lease with Coty on nearly 3,000 sq.m. in March ;
- Signature of a lease with Quartus on 2,600 sq.m. in the Cézanne Saint-Honoré complex ;
- Marketing of 9,400 sq.m. in the Washington Plaza complex to various tenants ;
- Marketing of 4,300 sq.m. in the 103 Grenelle complex to various tenants ;
- Marketing of some 2,100 sq.m. in the fully renovated Percier building.

The average nominal rent for these office leases stands at €631 per sq.m. and the effective rent at €548 per sq.m.

The physical occupancy rate for revenue-generating properties at 31 December 2016 was 97.0%, compared with 95.6% at the previous year end. Over the same period, the EPRA vacancy rate decreased to 3.1% from 5.1%.

Development operations

Capital expenditure in 2016 amounted to €66 million and corresponded to the remaining work on major development projects that have now been completed, including the upgrading of the common areas in the Cézanne Saint-Honoré complex and the renovation of the Percier building acquired in June 2015.

The development pipeline at 31 December 2016 concerned approximately 6% of the Group's portfolio and mainly consisted of the retail units in the Louvre Saint-Honoré complex for which the planning approval process is in its final stages.

Portfolio operations

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

No properties were sold in 2016.

On 13 January 2017, SFL entered into a €165-million deal to acquire SMA's historical headquarters building, a 21,000-sq.m. property located in the 15th arrondissement of Paris that the Company intends to redevelop. Contracts will be exchanged when SMA moves to its new headquarters in the fourth quarter of 2017 (for more details, see press release dated 16 January 2017).

Financing: historically low average borrowing costs

Net debt at 31 December 2016 amounted to €1,931 million (compared with €1,841 million at 31 December 2015), representing a loan-to-value ratio of 31.7%. At that date, the average cost of debt after hedging was 1.9% (versus 2.4% a year earlier) and the average maturity was 4.4 years.

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

At 31 December 2016, the Company also had €540 million in undrawn back-up lines of credit.

Net Asset Value

The consolidated market value of the portfolio at 31 December 2016 was €5,736 million excluding transfer costs. The increase of 9.4% from €5,242 million at 31 December 2015 reflected the increasingly narrow yields that were a feature of the Paris property market during 2016 and the resilience of the portfolio's rental values.

The average EPRA topped-up net investment yield (NIY) stood at 3.6% at 31 December 2016, compared with 3.8% at 31 December 2015.

EPRA NNAV stood at €3,082 million or €66.2 per share at 31 December 2016, an increase of 13.3% compared to €58.5 per share at 31 December 2015.

Dividend

At the Annual General Meeting to be held on 28 April 2017, the Board of Directors will recommend paying a dividend of €1.05 per share. This will be in addition to the dividend of €1.05 per share paid on 22 November 2016.

Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	2016	2015
Attributable net profit	504.1	492.9
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment properties	(438.0)	(513.7)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	2.1	22.3
Tax on the above items	(11.6)	25.3
Non-controlling interests in the above items	44.3	39.0
EPRA earnings	100.9	65.8

API EPRA NNAV

€ millions	31/12/2016	31/12/2015
Attributable equity	3,123	2,713
Treasury shares	14	17
Unrealised capital gains	16	14
Fair value adjustments to fixed rate debt	(71)	(23)
EPRA NNAV	3,082	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 €5.7 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