

## SFL: historically strong results for 2017 that validate the value creation strategy

**EPRA NNAV: €80.1 per share (up 21.0%)**  
**Property portfolio value: €6,229 million (up 12.6% like-for-like)**  
**Rental income: €195.8 million (up 3.6% like-for-like)**  
**EPRA earnings: €102.4 million (up 1.5%)**  
**Attributable net profit: €685.3 million**

**Paris, 9 February 2018** – The financial statements for the year ended 31 December 2017 were approved by the Board of Directors of Société Foncière Lyonnaise on 9 February 2018 at a meeting chaired by Juan-José Brugera.

Business indicators were very robust, thanks to the high portfolio occupancy rate and growth in rental income, while the year also saw further strong gains 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.

*"Our 2017 performance validates our value creation strategy of investing in prime office property in the most attractive districts of Paris and creating a high value for users via an exceptional standard of amenities,"* commented Nicolas Reynaud, Chief Executive Officer of SFL.

### Consolidated data (€ millions)

	2017	2016	Change
Rental income	195.8	198.1	-1.2%
Adjusted operating profit*	164.1	169.7	-3.3%
Attributable net profit	685.3	504.1	+35.9%
EPRA earnings	102.4	100.9	+1.5%

\* Operating profit before disposal gains and losses and fair value adjustments

	31/12/2017	31/12/2016	Change
Attributable equity	3,763	3,123	+20.5%
Consolidated portfolio value excluding transfer costs	6,229	5,736	+8.6%
Consolidated portfolio value including transfer costs	6,619	6,092	+8.7%
EPRA NNAV	3,729	3,082	+21.0%
EPRA NNAV per share	€80.1	€66.2	

## **Results: robust operating profit and growth in net profit driven by an increase in the portfolio value**

Rental income amounted to €195.8 million in 2017, down by a modest €2.4 million or 1.2% from the €198.1 million reported in 2016.

- On a like-for-like basis (excluding all changes in the portfolio affecting year-on-year comparisons), rental income was €6.2 million higher, a 3.6% increase that was attributable to new leases signed in 2016 and 2017, mainly for the Cézanne Saint-Honoré, 9 Percier and 103 Grenelle properties.
- Changes in assets under redevelopment between the two periods had a €2.6 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 their tenants moved out.
- The sale of the IN/OUT building on 29 September 2017 led to €3.3 million decrease in rental income compared with 2016.
- Lastly, lease termination penalties received from tenants added a net €0.5 million to rental income in 2017 compared with €3.2 million in 2016.

Operating profit before disposal gains and losses and fair value adjustments to investment properties amounted to €164.1 million in 2017 versus €169.7 million in 2016.

The portfolio's appraisal value grew by 12.6% over the year on a like-for-like basis. The increase led to the recognition of positive fair value adjustments to investment properties of €635.1 million in 2017 (versus €438.0 million in 2016). Profit for the year was also boosted by the €80.3 million gain realised on the sale of the IN/OUT building.

Net finance costs continued to fall sharply, amounting to €40.7 million in 2017 compared with €48.1 million in 2016. Recurring finance costs were down by €4.7 million in 2017, reflecting SFL's lower average refinancing costs and the reduction in its total debt.

After taking into account these key items, the Group reported attributable net profit for the year of €685.3 million versus €504.1 million in 2016. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, EPRA earnings amounted to €102.4 million in 2017 versus €100.9 million the year before (an increase of 1.5%).

## **Business review: increase in rental income, low vacancy rate, and a pipeline of emblematic projects**

### Rental operations:

In a growing rental market, shaped by the lowest vacancy rate in the Paris region since 2007, stronger corporate demand and a shortage of available high quality properties, especially in Paris itself, SFL signed a large number of leases in 2017 representing a total surface area of some 21,000 sq.m. Highlights of the year included:

- Leasing of the entire 2,900 sq.m. of vacant space in the 103 Grenelle property to two tenants, Edouard Denis Développement and Calvin Klein.
- Leasing of 3,500 sq.m. of offices in the Cézanne Saint-Honoré complex to LEK Consulting and KBL Richelieu.
- Leasing of 2,800 sq.m. in the Washington Plaza complex to various tenants.
- Leasing of a 3,400 sq.m. unit in the 92 Champs-Élysées building to WeWork.
- Leasing of retail space in Galerie des Champs-Élysées for the new concept store opened by l'Occitane and Pierre Hermé in December 2017.

Nominal office rents for leases signed in 2017 averaged €733 per sq.m. with effective rents averaging €629 per sq.m, illustrating SFL's ability to leverage the quality and scarcity of its products to keep rents high while maintaining a disciplined approach to rental incentives.

The physical occupancy rate for revenue-generating properties at 31 December 2017 was 96.4%, compared with 97.0% at the previous year-end. At 3.1%, the EPRA vacancy rate was stable over the year, further illustrating the outstanding attractiveness of the SFL portfolio and the Group's ability to maintain full occupancy of its properties.

#### Portfolio operations:

In January 2017, SFL entered into a €165 million deal to acquire SMA's historical headquarters building, a 21,000 sq.m. property located at 112-122 avenue Emile Zola in the 15<sup>th</sup> *arrondissement* of Paris. SFL acquired title to the property in November 2017 when SMA moved out. The building stands on a 6,300 sq.m. plot featuring a tree-filled garden. It dates back to 1966 and will be completely remodelled.

On 29 September 2017, the IN/OUT building located at 46 Quai Alphonse le Gallo in Boulogne-Billancourt was sold to Primonial REIM. The 35,000 sq.m. building was completely remodelled in a project launched in 2011. Since 2015, it has been leased in full to OECD under a lease expiring in 2027. The building was sold for €445 million excluding transfer costs, generating a capital gain of €80.3 million that was recognised in 2017.

#### Development operations:

Capital expenditure for 2017 amounted to €32.8 million and mainly concerned the renovation of vacated floors in existing buildings and building redevelopment projects. The development pipeline at 31 December 2017 concerned around 13% of the Group's portfolio and consisted mainly of three flagship projects that will be deployed over the next four years, as follows:

- The core of the Louvre Saint-Honoré complex, representing some 15,000 sq.m. of retail space.
- The office complex on avenue Emile Zola acquired in 2017, which will be completely remodelled to become a major business centre in the heart of the 15<sup>th</sup> *arrondissement* of Paris.
- The 9,000 sq.m. building at 96 avenue d'Iéna, which will be extensively renovated to offer services meeting the very highest standards.

### **Financing: historically low debt and average borrowing costs**

Net debt at 31 December 2017 amounted to €1,631 million (compared with €1,931 million at 31 December 2016), representing a loan-to-value ratio of 24.6%. At 31 December 2017, the average cost of debt after hedging was 1.7% and the average maturity was 4.5 years.

In 2017, the remaining €301 million worth of November 2012 bonds was redeemed and two new 6- and 7-year revolving bank lines of credit totalling €250 million were obtained for general corporate purposes.

At 31 December 2017, SFL had €760 million in undrawn back-up lines of credit that are available to finance investment opportunities and cover the Group's liquidity risk.

In October 2017, Standard & Poor's upgraded SFL's rating to BBB+ with a stable outlook.

### **Net Asset Value: portfolio value tops €6 billion**

The consolidated market value of the portfolio at 31 December 2017 was €6,229 million excluding transfer costs versus €5,736 million at 31 December 2016, representing an increase of 8.6% as reported and 12.6% on a like-for-like basis. This further increase in appraisal values primarily reflects the upward pressure of narrower investment market yields for prime properties and the Group's improved lease terms.

The average EPRA topped-up net investment yield (NIY) stood at 3.2% at 31 December 2017, compared with 3.6% at 31 December 2016.

EPRA NNAV stood at €3,729 million or €80.1 per share at 31 December 2017, an increase of 21.0% compared to €66.2 per share at 31 December 2016.

### **Dividend**

At the Annual General Meeting to be held on 20 April 2018, the Board of Directors will recommend paying a dividend of €2.30 per share.

## Alternative Performance Indicators (APIs)

### API EPRA earnings

€ millions	2017	2016
<b>Attributable net profit</b>	<b>685.3</b>	<b>504.1</b>
Less:		
Profit (loss) on asset disposals	(80.3)	-
Non-recurring disposal costs	3.0	-
Fair value adjustments to investment properties	(635.1)	(438.0)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	(0.6)	2.1
Tax on the above items	33.3	(11.6)
Non-controlling interests in the above items	96.8	44.3
<b>EPRA earnings</b>	<b>102.4</b>	<b>100.9</b>

### API EPRA NNAV

€ millions	31/12/2017	31/12/2016
<b>Attributable equity</b>	<b>3,763</b>	<b>3,123</b>
Treasury shares	11	14
Unrealised capital gains	17	16
Fair value adjustments to fixed rate debt	(62)	(71)
<b>EPRA NNAV</b>	<b>3,729</b>	<b>3,082</b>

### API Net debt

€ millions	31/12/2017	31/12/2016
Long-term borrowings and derivative instruments	1,661	1,620
Short-term borrowings and other interest-bearing debt	36	389
<b>Debt in the consolidated statement of financial position</b>	<b>1,697</b>	<b>2,009</b>
Less:		
Current account advances (liabilities)	(56)	(63)
Accrued interest and deferred recognition of debt arranging fees	6	6
Cash and cash equivalents	(16)	(20)
<b>Net debt</b>	<b>1,631</b>	<b>1,931</b>

More Information is available at [www.fonciere-lyonnaise.com](http://www.fonciere-lyonnaise.com)



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## About SFL

Leader in the prime segment of the Parisian commercial real estate market, Société Foncière Lyonnaise stands out for the quality of its property portfolio, which is valued at €6.2 billion and is focused 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. As France's oldest property company, SFL demonstrates year after year an unwavering commitment to its strategy focused on creating a high value in use for users and, ultimately, substantial appraisal values for its properties.

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

S&P rating: BBB+ stable outlook

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