

## SFL - 2015 Annual Results

**Rental income: €168.8 million (+11.4% including +5.7% on a comparable portfolio basis)**  
**EPRA earnings: €65.8 million (+25.3%)**  
**Attributable net profit: €492.9 million**  
**Property portfolio value: €5,242 million (+17.4%)**  
**EPRA NNAV: €58.5 per share (+18.5%)**

The financial statements for the year ended 31 December 2015, were approved by the Board of Directors of the Société Foncière Lyonnaise on 12 February 2016 at a meeting chaired by Juan-José Brugera.

These financial statements, which reflect the initial benefits of the portfolio redevelopment strategy implemented over the last five years, show a significant rise in both SFL's operating aggregates and the appraisal value of the portfolio.

The financial statements have been audited and the auditors' report is being prepared.

### Consolidated data (€ millions)

	2015	2014	Change
Rental income	168.8	151.5	+11.4%
Operating profit before disposals and fair value adjustments	135.3	121.5	+11.3%
Attributable net profit	492.9	197.7	n.m.
Underlying attributable profit (EPRA earnings)	65.8	52.5	+25.3%

	31/12/2015	31/12/2014	Change
Attributable equity	2,713	2,325	+16.7%
Consolidated portfolio value excluding transfer costs	5,242*	4,466	+17.4%
Consolidated portfolio value including transfer costs	5,519	4,703	
EPRA NNAV	2,721	2,297	
EPRA NNAV per share	€58.5	€49.4	+18.5%

\* Excluding impact of the increase in the transfer tax rate in Paris and the additional tax levied as from 1 January 2016 (€49m)

### **Results: significant improvement in aggregates**

- Rental income stood at €168.8 million on 31 December 2015, versus €151.5 million on 31 December 2014, an increase of €17.3 million (+11.4%):

- On a comparable portfolio basis, rental income increased by €7.8 million (+5.7%) as a result of new leases signed in 2014 and 2015 (primarily In/Out, Edouard VII and Cézanne Saint-Honoré); the effects of applying rent indexation clauses were very limited in 2015.

- Revenues from assets undergoing renovation during the period in question increased by €1.9 million, due mainly to the delivery in March 2015 of 90 Champs-Élysées and the initial rental income from the #cloud.paris building delivered in November 2015, partly offset by a reduction in revenues from the Le Vaisseau building which has been undergoing renovation since March 2015.

- The acquisition of the Condorcet (December 2014) and Percier (June 2015) buildings generated an increase in rental income of €9.1 million in 2015.

- Finally, the collection of a penalty payment for the early termination of a lease at Washington Plaza in 2014 led to an income reduction of €1.5 million in 2015.

- Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €135.3 million on 31 December 2015, versus €121.5 million on 31 December 2014, an increase of 11.3%.

- The portfolio's appraisal value on 31 December 2015, showed an increase of 15.7% over the year on a comparable basis, resulting in positive fair value adjustments to investment properties worth €513.7 million in 2015 (versus €227.5 million in 2014), after taking into account the impact of the increase in the transfer tax rate in Paris and the additional tax levied as from 1 January 2016.

- Net financial charges stood at €69.6 million on 31 December 2015, versus €87.0 million on 31 December 2014. Derivative instrument fair value adjustments and recycling during the reporting period, as well as the repurchase in December 2015 of bonds for a nominal amount of €243.5 million and the renegotiation of certain credit lines, had a non-recurring cost impact of €22.3 million in 2015 (compared to €32.4 million in 2014). Recurring financial costs were down by €7.3 million on 31 December 2015, due to a reduction in average refinancing costs.

- After taking account of these key items, attributable net profit on 31 December 2015 stood at €492.9 million, compared to €197.7 million on 31 December 2014. Excluding the impact of disposals, changes in the fair value of investment properties and financial instruments and the related tax effect, underlying attributable net profit (EPRA earnings) amounted to €65.8 million on 31 December 2015, versus €52.5 million on 31 December 2014, an increase of €13.3 million (+25.3%).

### **Business review**

#### Rental operations: an exceptional year for SFL

In a rental market that was stable compared to 2014, but still difficult and selective, SFL successfully leased 85,000 sq.m. of space in 2015. In particular, several very large operations were carried out:

- 100% of the In/Out building in Boulogne (35,000 sq.m.) was leased to the OECD under a 12-year lease starting on 1 September 2015.
- In the #cloud.paris building, which is now 90% leased, 10,800 sq.m. were leased to Exane under a 9-year lease, 9,700 sq.m. to BlaBlaCar and 3,600 sq.m. to one of the leading participants in the global net economy.
- 100% of the Le Vaisseau building in Issy-les-Moulineaux (6,300 sq.m.) was leased to Révolution 9 under a 6-year lease commencing when the building is delivered after renovation in January 2016.
- A new 12-year lease was signed with TV5 Monde on its headquarters building at 131 avenue de Wagram in Paris (7,500 sq.m.).

In addition, several medium-sized transactions were carried out, including the leasing of 3,700 sq.m. in the Washington Plaza building to two new tenants, Akamai and Meda Pharma, and of 1,900 sq.m. in the Louvre Saint-Honoré building to SwissLife REIM.

Nominal office rents for lease agreements in 2015 averaged €551/sq.m. with effective rents of €437/sq.m. For properties in the Central Business District (CBD), the averages were €662/sq.m. and €565/sq.m. respectively.

The physical occupancy rate for revenue-generating properties on 31 December 2015 was 95.6% compared to 87.1% on 31 December 2014.

#### Development operations

During 2015, buildings undergoing redevelopment accounted for approximately 50,000 sq.m., representing around 15% of the total portfolio. The main project concerned the complete restructuring of the #cloud.paris building (33,000 sq.m.) that began in 2013 and was completed in November when the building was delivered. The complete refurbishment of the office floors in 90 Champs-Élysées (around 7,000 sq.m.) continued, with delivery taking place in March 2015. Another noteworthy project was the complete renovation of the Le Vaisseau building in Issy-les-Moulineaux (6,300 sq.m.) which was delivered in January 2016.

In total, the investments made in 2015 amounted to €118 million.

On 31 December 2015, taking into account the deliveries made during the year, buildings undergoing redevelopment represented only around 5% of the total portfolio.

#### Portfolio operations

On 30 June 2015, SFL acquired a 6,700 sq.m. office building located at 9 avenue Percier in Paris for €68 million including transfer costs. This very high quality asset offers potential to create value through the optimisation of its rental situation.

No properties were divested during the year.

#### **Financing: reduction in the cost of debt and extension of its average maturity**

SFL's debt structure further improved in 2015, with an extension of the average maturity of debt and a reduction in its average cost. This was the result, in particular, of a new €500 million bond issue

with a term of 7 years and a coupon of 2.25%, maturing on 16 November 2022, and the buyback of €243.5 million worth of bonds maturing in May 2016 and November 2017.

In addition, all of SFL's bank lines of credit (€700 million in revolving credit facilities and €208 million in mortgage loans) were renegotiated on favourable terms and a new €50 million credit line with a term of 5 years was obtained, strengthening the Group's ability to seize investment opportunities and cover its liquidity risk.

As a result of these renegotiations, the average maturity of its debt is now 4.9 years (versus 4.0 years on 31 December 2014) and the average cost is 2.4% (versus 2.9%).

In July 2015, Standard & Poor's upgraded SFL's credit rating to BBB/A2 (from BBB-/A3 previously), with a stable outlook, in recognition of the sharp increase in the portfolio's occupancy rate and the prospect of an improvement in the Group's operating aggregates.

On 31 December 2015, consolidated net debt totalled €1,841 million versus €1,572 million on 31 December 2014, representing a loan-to-value ratio of 33.4%. At that date, SFL also had €610 million in undrawn back-up lines of credit.

### **Net Asset Value**

The consolidated market value of the portfolio on 31 December 2015 was €5,242 million excluding transfer costs, an increase of 17.4% in one year (€4,466 million on 31 December 2014) and of 15.7% on a comparable portfolio basis. This further increase in appraisal values reflects the investments made in 2015 to improve the properties (€118 million) and the value created by these development projects, as well as the appreciation in the properties' value linked to the narrower yields observed on the investment market for prime properties.

The average rental yield (based on 100% occupancy) stood at 4.2% on 31 December 2015, compared to 4.8% on 31 December 2014. The EPRA yield (topped-up NIY) on 31 December 2015 was 3.8% (versus 3.9%).

EPRA NNAV came to €2,721 million or €58.5 per share on 31 December 2015, compared to €49.4 per share on 31 December 2014, an increase of 18.5%.

### **Dividend**

At the Annual General Meeting to be held on 26 April 2016, 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 in November 2015.

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

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## **About SFL**

Leader on the prime segment of the Parisian tertiary real estate market, the Société Foncière Lyonnaise stands out for the quality of its property portfolio, which is valued at 5.2 billion euros 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