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The Parisian Spirit



Cézanne Saint-Honoré, Paris 8



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Every SFL building has its own history, its own identity, just like the company that works there.



Washington Plaza, Paris 8

Because our tenants are unique, SFL offers them outstanding buildings in the heart of Paris, which we acquire, renovate and transform into premium office complexes.

Connected, upgradeable, efficient and often making a bold statement, our properties resonate with the rising aspirations of highly demanding companies for prime locations, open, ultra-flexible space,

new working models, longer life cycles, innovative amenities and an unrivalled user experience.

The leader in the prime Parisian office segment, SFL manages a portfolio of assets worth more than €6.2 billion. For nearly 140 years, every transaction has been a unique opportunity to enhance and reinvent its properties.

388,100 sq.m
in the property portfolio

€6.2bn
Portfolio value excluding transfer costs

Paris

Paris is one of the world's most attractive property markets. It's also home to the SFL portfolio, **with 98% of our assets located** in the capital's most central, most sought-after neighbourhoods.

Excellence

Our buildings and our tenants deserve the best. That's why SFL partners with the **world's leading** architects, interior designers, landscapers, and hotel amenity and corporate concierge service designers... Their ability to meet our high standards means that our office buildings exhibit remarkably high-quality design and technical features.

Prime

Our portfolio comprises outstanding assets, **which are being boldly transformed** so that our tenants can enjoy incomparably well-appointed offices offering premium amenities, fittings and floor layouts.

Sustainable

The needs of our tenants and the way they use their space are constantly evolving. That's why our buildings also have **to be future-proof, flexible and intelligent** to ensure their sustainability.

“
Every one of our transformations endows the building with unprecedented value.
 ”



Juan José Brugera Clavero,
Chairman

Nicolas Reynaud,
Chief Executive Officer

Historically strong results that validate the value creation strategy

SFL reported historic results in 2017. How would you describe the past year?

JUAN JOSE BRUGERA CLAVERO: It was excellent! Our results remained strong and stable, and that in itself is a real performance in a period shaped, as you may remember, by a fair degree of hesitation. In an industry like ours, which tends to be highly static, “wait and see” is rarely conducive to investment. But today, confidence has returned, and companies are investing again in large real estate projects. We feel a real sense of wanting to get back in the game, with renewed energy and drive. And this is very good news for us, because SFL is ready, willing and able to take action.

What was the year like?

NICOLAS REYNAUD: In addition to signing some great leases as corporate demand firmed up, we successfully rotated a portion of our portfolio assets. We recently sold In/Out, an iconic complex in the heart of Boulogne, at a particularly low yield. That’s the outcome of the value creation process that is the key to our business model. At the same time, we acquired the 112 Zola building, which was built in 1966 and needs top-to-bottom refurbishing. We expect it to help drive further gains in the value of our portfolio going forward.

Which projects are you going to focus on?

N. R.: Our buildings have to be continuously refurbished and upgraded. Currently, we’re focusing on three projects with a good deal of potential: the ambitious renovation of Louvre Saint-Honoré, the remodelling of 96 léna and the redevelopment of our latest acquisition, 112 Zola, whose far-reaching project is renovating 24,000 sq.m of offices with a footprint that is rare in the heart of the 15th arrondissement. Most of our tenants are market leaders in a wide range of industries, who have clearly defined standards for their office buildings, and we share their values of excellence and performance. Each refurbishment is a new opportunity to enhance the value of our portfolio, and to offer our clients new office solutions. This ability to reach out to all types of clients and create value by leading major renovations attests to the strength of SFL’s portfolio, whose assets are both premium and upgradeable.

You’re still committed to central Paris...

J. J. B. C.: Yes, that’s one of the special features of our portfolio, which has been recognised for the consistency of its assets and their geographic location – 98% of them are located in central Paris. Our tenants know that their offices are much more than just a place to work for their employees. They want a building that looks like them, that encourages creativity in their teams, that is appealing. And we know that a central location is a critical issue for them, to keep commuting times down. In fact, our assets are all highly accessible, in the Central Business District, of course, but also in fast-growing, mixed-use, central neighbourhoods like the 15th arrondissement.

How do you see 2018 shaping up?

N. R.: We’re looking forward to starting the works phase of our refurbishment projects, while continuing to track investment opportunities in our market. Our resilient, robust portfolio, our sustained high occupancy rates and our excellent financial ratios are all compelling advantages. In fact, last October, our rating was upgraded from BBB to BBB+. That’s a sure sign of success and a great encouragement for the future.

MANAGEMENT
COMMITTEE



FABIENNE BOILEAU
Chief Financial Officer



PIERRE-YVES BONNAUD
Asset Management and Client
Management Director



DIMITRI BOULTE
Managing Director,
Chief Operating Officer



PIERRE-FRANÇOIS CHIAPPONI
Leasing and Investments Director



FRANÇOIS DERRIAN
Human Resources Director



AUDE GRANT
Deputy Managing Director – Asset
Management and Investments



ÉRIC OUDARD
Technical and Development Director



NICOLAS REYNAUD
Chief Executive Officer



FRANÇOIS SEBILLOTTE
Chief Resources Officer,
Secretary to the Board of Directors

BOARD OF DIRECTORS

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Juan José Brugera Clavero

____ *Directors:*
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Angels Arderiu Ibars, Ali Bin Jassim Al-Thani,
Anne-Marie de Chalambert,
Sylvia Desazars de Montgailhard,
Jean-Jacques Duchamp, Chantal du Rivau,
Carlos Fernandez-Lerga Garralda,
Carmina Ganyet I Cirera, Carlos Krohmer,
Luis Maluquer Trepas, Adnane Mousannif,
Nuria Oferil Coll, Anthony Wyand

COMMITTEES

Audit Committee

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Carlos Fernández-Lerga Garralda

____ *Members:*
Anne-Marie de Chalambert,
Jean-Jacques Duchamp,
Carmina Ganyet I Cirera

**Remuneration and Selection
Committee**

____ *Chairman:*
Anthony Wyand

____ *Members:*
Anne-Marie de Chalambert, Pere Viñolas Serra

Committee of Independent Directors

____ *Members:*
Anne-Marie de Chalambert, Sylvia Desazars de
Montgailhard, Anthony Wyand

Executive and Strategy Committee

____ *Chairman:*
Juan José Brugera Clavero

____ *Members:*
Jean-Jacques Duchamp, Carmina Ganyet I
Cirera, Pere Viñolas Serra

Members of the Board of Directors
and Advisory Committees as of 28 April 2017.

In brief

€195.8_m

in rental income,
up 3.6% like-for-like vs. 2016

€102.4_m

in EPRA earnings,
up 1.5% vs. 2016

€685.3_m

in attributable net profit

DIVESTMENT

In/Out

An outstanding transaction for an outstanding building

In September 2017, SFL completed the sale of In/Out, its iconic 35,000 sq.m office campus in Boulogne, to Primonial REIM. Acquired in 2000 under a sale and leaseback transaction, the property was extensively remodelled by SFL in association with architecture firm DTACC and the Jouin Manku design agency between 2011 and 2013. The collaborative project contributed to the former factory's stunning makeover, with a fully dedicated amenities pavilion supporting the unmatched working environment that motivated the OECD to select the building as its new campus in 2015. In/Out was sold for a net €445 million, corresponding to a yield of 3.7% (including transfer costs).

The transaction demonstrates SFL's ability to design and increase the value of one-of-a-kind products.

ACQUISITION

SMA

21,000 sq.m of offices in the heart of the 15th arrondissement

Already widely acclaimed for the quality of its locations in the Paris Central Business District, SFL's property portfolio was further enhanced with the acquisition of a new asset in November 2017.

This time, however, the transaction was completed in the fast-growing 15th arrondissement, which recently enjoyed a spectacular year for property sales and leasing. SMA's historical head office building, featuring 21,000 sq.m of offices on a 6,300 sq. m tree-filled plot, was acquired for a net €165 million.

The property will be entirely redeveloped to transform it into a major new business centre in the west of the capital, with a total surface area of more than 24,000 sq.m. With this development, SFL is pursuing its value creation strategy and confirming its leadership of the Paris prime office property market, as well as fulfilling its vision of offering tenants superior working environments to grow their businesses and attract talent.

LEASING

Galerie des Champs-Élysées

The new place to be on the Champs-Élysées

Supported by SFL, two leading French brands – pastry shop Pierre Hermé and beauty products retailer L'Occitane en Provence – have pooled their expertise to create a novel concept store combining their two boutiques to offer a unique, innovative shopping experience. The success of this blend of sweet treats and cosmetics was underpinned by a highly unusual store layout, a bold interior design and – in an outstanding technical exploit – the transformation of part of the basement into a kitchen.

92 Champs-Élysées

SFL commands the highest rental value on the Champs-Élysées in 2017

WeWork, the world leader in shared workspaces, has reaffirmed its positioning at the premium end of the Paris real estate market by signing a 12-year fixed-term lease for 3,400 sq.m in the 92 Champs-Élysées building. Signed just two months into the prestigious address' marketing campaign, the new lease represents the highest rental value recorded on the Champs-Élysées in 2017. This was a great success for SFL, which had extensively refurbished 92 Champs-Élysées in 2012, adding among other amenities an elegant reception area, exceptional floor plates and a beautiful private terrace. SFL once again demonstrated its ability to transform its properties to meet the very demanding specifications of world-class companies.

RATINGS

Credit rating upgraded to BBB+

In October 2017, rating agency Standard & Poor's upgraded SFL's long-term credit rating from BBB to BBB+, based on such positive factors as the company's 96% occupancy rate, its strong presence in the Paris Central Business District and the fresh improvement of its financial risk profile (with leverage that remains perfectly under control). The outlook remained stable and the quality of the asset portfolio is continuing to increase.

BREEAM AWARDS 2017

SFL honoured

At the BREEAM Awards 2017 ceremony held in London on 7 March 2017, SFL received an award in the "Corporate Investment in Responsible Real Estate" category, which recognises a company's commitment to sustainable real estate and the achievement of performance targets by having their asset portfolios environmentally certified and rated.

With its entire portfolio BREEAM-certified with at least a "Very Good" rating, SFL is demonstrating its teams' engagement in corporate social responsibility (CSR) and its commitment to fostering responsible working environments that help to improve the overall performance of its tenants.

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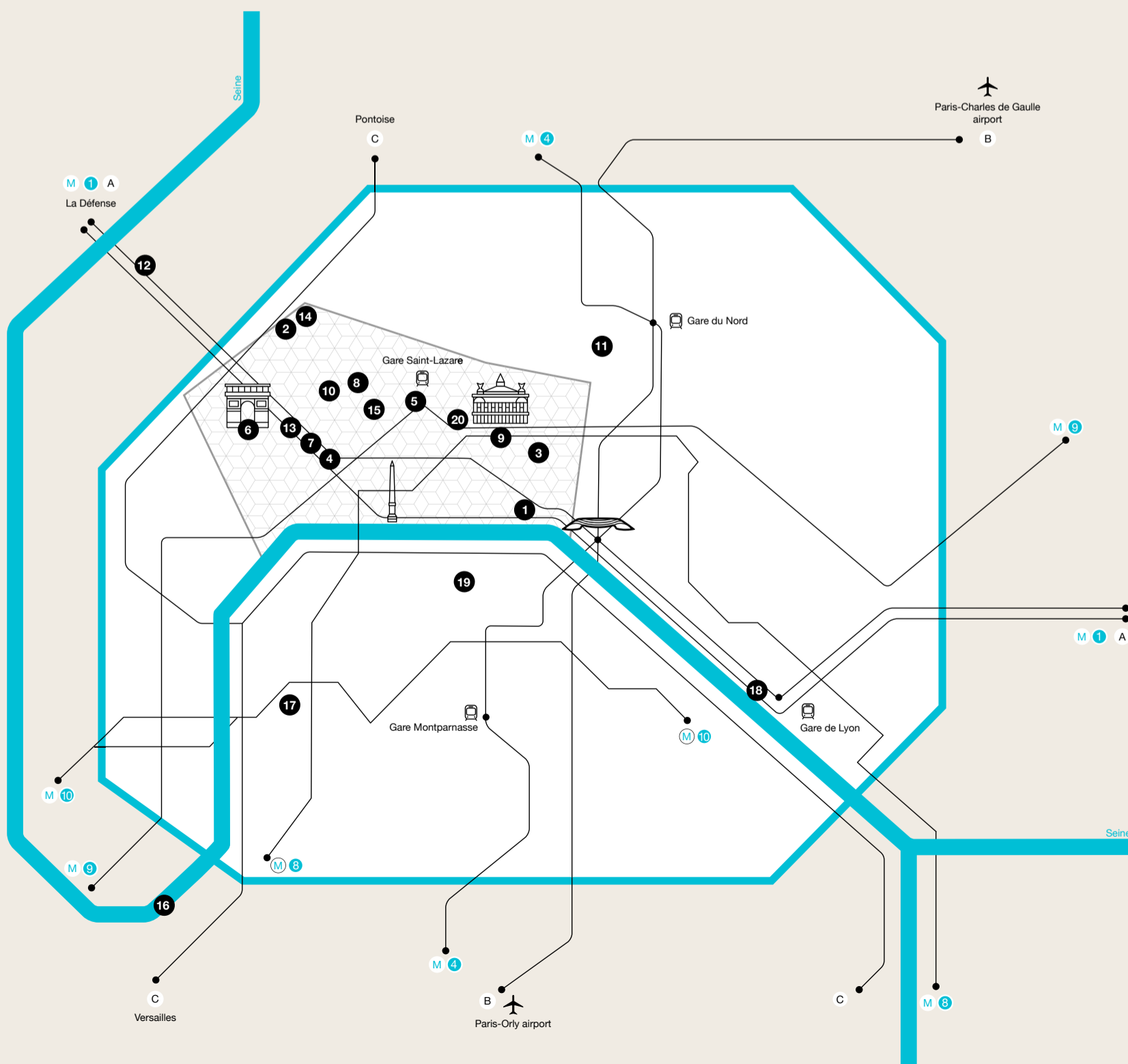
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OUTSTANDING

LOCATIONS

- | | |
|----------------------------|--------------------------|
| 1 Louvre Saint-Honoré | 11 Condorcet |
| 2 131 Wagram | 12 176 Charles de Gaulle |
| 3 #cloud.paris | 13 92 Champs-Élysées |
| 4 Galerie Champs-Élysées | 14 112 Wagram |
| 5 Haussmann Saint-Augustin | 15 Cézanne Saint-Honoré |
| 6 96 Iéna | 16 Le Vaisseau |
| 7 90 Champs-Élysées | 17 112 Zola |
| 8 9 Percier | 18 Rives de Seine |
| 9 6 Hanovre | 19 103 Grenelle |
| 10 Washington Plaza | 20 Édouard VII |

Paris is a city of history and architecture, as well as one of the world's most attractive property markets. At SFL, each asset has its own unique potential and its own history, which we strive to reveal and celebrate in every transformation project. Our ability to restore and preserve heritage properties is unmatched, with teams who skilfully address even the most complex demands and requirements of every project. By leveraging an in-depth understanding not only of stakeholders and issues across the Parisian ecosystem, but also the needs of our tenants and the experts who support us, we are preserving and developing a portfolio of assets unlike any other on the market



Technical quality

An unrivalled strength

Over the years, SFL has developed an outstanding property portfolio that is both consistent – in its choice of locations in the Paris Central Business District – and diverse – in the size of its assets. It is also widely recognised for the quality of the transformations undertaken across the asset base and the excellence of the resulting amenities and features.

SFL takes pride in its transformations and helps to create new value in its assets, in full compliance with particularly demanding specifications. To lead these major refurbishment projects, we call upon partners with proven capabilities – architects, designers, landscapers, hotel amenity and retail services providers, seasoned utilities managers – to help deliver our promise of excellence. In this way, the building is redeveloped as part of a holistic ecosystem that takes advantage of the immediate surroundings to capitalise on the neighbourhood, the building's natural or historical features and outdoor spaces, etc.

These transformations are led with two goals in mind: first, to address the needs of tenants and their increasingly fast changing expectations, but also to enable the buildings to be upgraded and redeveloped over time, to ensure their sustainability. This is why for each project, SFL strives to create

a customised, sustainable shell, providing a high-quality technical structure to guarantee flexibility, multi-use capabilities and a wide array of facilities and amenities far into the future.

An extraordinary building has to offer users premium amenities like business centres, concierge services, gyms and food services. With central locations, a diverse mix of facilities and amenities, a sense of well-being, high-quality fixtures and an outstanding tenant experience, SFL is meeting the expectations of businesses and occupants by creating the most beautiful, smartest buildings featuring the finest amenities in the best locations. From this perspective, offices are seen by our tenants not as a cost but as a sustainable investment, directly and visibly contributing to the image of their company, to their appeal as an employer and to the well-being of their employees.



#cloud.paris, Paris 2

In/Out

In October 2017, SFL sold one of its portfolio's iconic properties.



An outstanding transaction

In 2000, SFL acquired a monumental 1930s-style factory building in the heart of the western Paris suburbs, comprising 31,000 sq.m of offices with stunning panoramic views of the Seine.

The first stage in the property's future success was to reinvent the space. When Thomson vacated the premises, the complex underwent a top-to-bottom remodelling that transformed the unique 1930s factory building into a remarkable office campus. After being fully refurbished by the DTACC architecture firm and the Jouin-Manku design agency, the site featured bright, naturally lit floor plates, an open courtyard, landscaped gardens and a 4,000 sq.m, futuristically designed premium amenities wing. Highly secure, completely stand-alone and designed according to the very highest environmental standards, In/Out proved irresistible to the Organisation for Economic Co-operation and Development (OECD), which leased it in September 2015. In/Out's in-depth transformation, while retaining

its original shell and strong industrial footprint, has been universally acclaimed as a major success.

As befitting a benchmark office complex, its net price of €445 million corresponded to a record low yield in the Boulogne market, of just 3.7% for the investors, and demonstrated SFL's skilful ability to actively manage its portfolio and create value.

Certifications

**HQE Outstanding
LEED Platinum
BREEAM In-Use
Excellent**

2000

Acquisition by SFL as part of a sale and leaseback transaction with Thomson.

2011

Thomson vacates the premises and redevelopment work begins.

2015

The OECD signs a 12-year fixed-term lease in July and moves in in September.

2017

Asset sold to Primonial REIM for a net €445 million, corresponding to a yield of 3.7% (including transfer costs).



Cézanne Saint-Honoré, Paris 8

Putting tenants at the centre of our organisation

Offering tenants the finest products demands diligent management of the entire value creation chain. This is why SFL has integrated capabilities in every aspect of the office property business, from asset search to resale, while staying constantly attuned to tenant aspirations and expectations.

As an integrated prime real estate company, SFL offers businesses seeking outstanding offices all of the capabilities involved in asset acquisition, development and value enhancement. At the heart of our approach is a process that empowers teams to pool their expertise, to focus the right combination of skills on each project. They pay careful, constant attention, on a case-by-case basis, to each tenant's organisational model, the way they work, their particular characteristics, and their current and future aspirations. In this way, we can get a clear vision of the company's business plan far in advance, so that we can offer them flexible offices capable of agilely evolving in phase with their projected growth. In addition, several tenants renewed or upgraded their leases in one of our assets in 2017, demonstrating the appeal of the new solutions designed by SFL teams.

This tenant-centric, collective intelligence model ensures that our investments are selected on a highly independent basis and that risks are always kept tightly under control.

3 integrated core competencies

- **Investment Division**

capabilities involved in the asset acquisition process (legal, property, technical and financial due diligence; acquisition; value creation; and possible divestment).

- **Asset Management Division**

day-to-day tenant support, in-depth understanding of their needs and corporate expectations in general, definition and supervision of works projects with the Technical and Development Department until delivery and reception.

- **Development Division**

management of refurbishment, redevelopment and transformation works, feasibility, scheduling and design studies, acquisition due diligence, building utilities and amenities management.



Galerie Champs-Élysées

Since December, Galerie des Champs-Élysées has been home to two iconic French brands, brought together in one and the same boutique offering a surprisingly unusual shopping experience

Two brands in a single concept store

In the former Promod outlet at 86 Champs-Élysées, Pierre Hermé and L'Occitane now share a novel concept store where shoppers can enjoy the blend of the famous pastry chef's sweet treats and chocolates and L'Occitane's renowned cosmetics and personal care products. Designed in a record nine months, the space required extensive re-modelling to accommodate the majestic macaron bar and – in an amazing technical exploit – to transform part of the basement into a kitchen. The interior architecture was commissioned to rising Parisian architect Laura Gonzales, whose sensational design embodies the refined elegance of each retailer's products. The project once again illustrated the flexibility and high technical quality of SFL's assets and demonstrated our ability to redevelop our properties in response to emerging demand.

SFL is also celebrating the arrival of new pop-up stores and a Häagen Dazs boutique, which will support the arcade's revitalisation and renewed appeal in a location just minutes away from some of the avenue's most famous luxury and mass market retailers and the forthcoming Apple Store and Galeries Lafayette department store.

50%-acquired by SFL in 2002 and redesigned in 2011 by architect Jean Nouvel, Galerie des Champs-Élysées welcomes five million visitors a year in a prestigious location boasting some of the avenue's highest footfall.



Adrien Geiger,
Chief Customer
Experience Officer,
L'Occitane

Where did the idea of combining L'Occitane and Pierre Hermé come from?

It seemed self-evident to us. Both our companies are committed to using natural ingredients and to preserving traditional craftsmanship and creativity. These shared values had already brought us together to work on a limited collection of cosmetics. Its huge success encouraged us to move to the next level by imagining a flagship store combining a tea room and a haven of well-being, with the challenge of offering Parisians and visitors to the capital a totally new shopping experience.

Why did you choose this location in the Galerie des Champs-Élysées?

86 Champs opens directly onto the avenue, in the middle of the Champs-Élysées on the even-numbered side, or, in other words, the sunny side.

That makes it an ideal location for the creation of a haven of well-being and gourmet treats, right in the middle of the world's most beautiful avenue. As soon as the lease came up, we signed with SFL in just a few hours.

What's inside this intriguing concept store?

Some sensory experiences you've never had before. For the first time ever, people can see how our body creams and oils are distilled and made. Our trademark ingredients are showcased through gardens, so that shoppers can use their senses to commune with verbena, roses, almonds and immortelle flowers.

There is also a perfumer's organ and a cream bar that submerges you into a whole new art of well-being.

You'll also find exclusive products created through our collaboration, such as pastries, macarons, chocolates, fragrances, creams and cosmetics. Plus, for the first time, a savoury menu is available in the tea room.

A culture of prime and performance

Aware of real estate’s undeniable impact on the environment, SFL has undertaken a number of initiatives that have proven highly effective in shrinking its environmental footprint. Its CSR strategy is built around three major criteria closely tied to its business model.

The first criteria is location. Our locations are chosen with an eye to the mobility needs of our tenants, and all of our buildings are located near a metro or RER commuter rail station. These central locations resonate with user expectations for well-being, clean cities and energy efficiency.

The second criteria concerns the flexibility and high technical quality of our office spaces. A meticulous monitoring, outreach and research process enables us to design into every project, from the beginning, the expectations not only of our tenants, but also of the direct users of our offices. But trends are constantly changing, and our buildings have to keep pace. Keeping workspaces flexible and reversible is one of the best ways to fight against office building obsolescence, which tends to accelerate as expectations and usage patterns change more quickly.

Lastly, there’s architecture – the choice of materials, the energy efficiency of the buildings, the comfort and well-being of the occupants. This is where we orchestrate the most virtuous, most exciting transformations possible. SFL’s BREEAM In-Use (BIU) certification campaign is now six years old, and we’re particularly proud of the outcome. We pay very close attention to maximising use while reducing costs and input quantities, based on the intelligent, disciplined management of space, air, light, number of occupants and other factors.

Éric Oudard,
Technical and Development Director

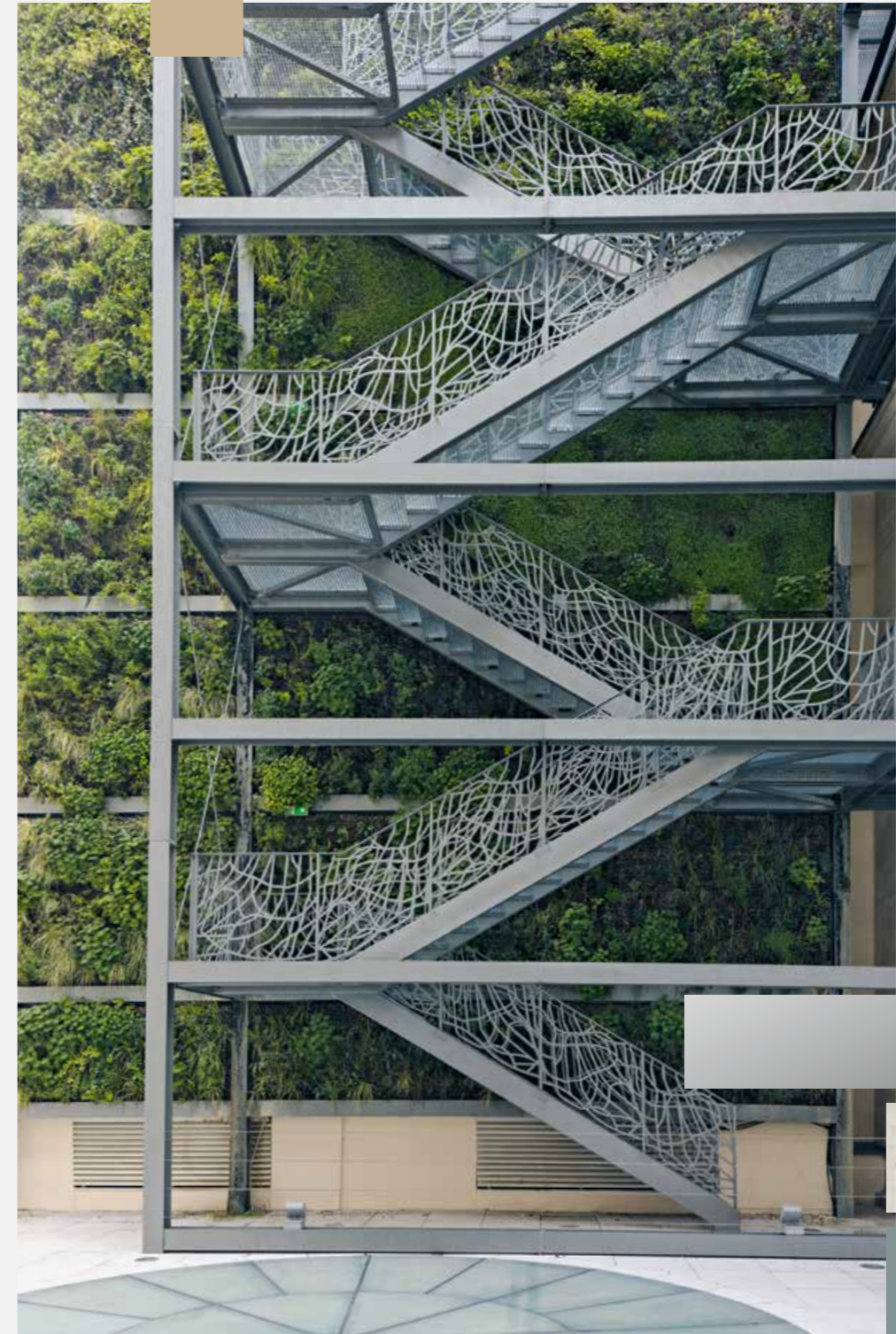
“ Taking our social and environmental responsibility to heart is encouraging us to push ourselves constantly to the next level and to raise the bar in every aspect of our business. It is also stimulating the usual operational criteria and teaching us to deliver performance in areas that are increasingly inspirational. ”

**Fondation Palladio:
building the City of Tomorrow**

SFL is a funding partner of the Fondation Palladio, which brings together real estate industry stakeholders engaged in forward thinking about the construction of future cities and their living environments. Two initiatives, among others, supported by SFL in 2017, included the sixth annual cycle of events organised by the Institut Palladio des Hautes Études sur l’Immobilier et la Cité and the development of tools for students as part of the Avenir Palladio programme.

100%

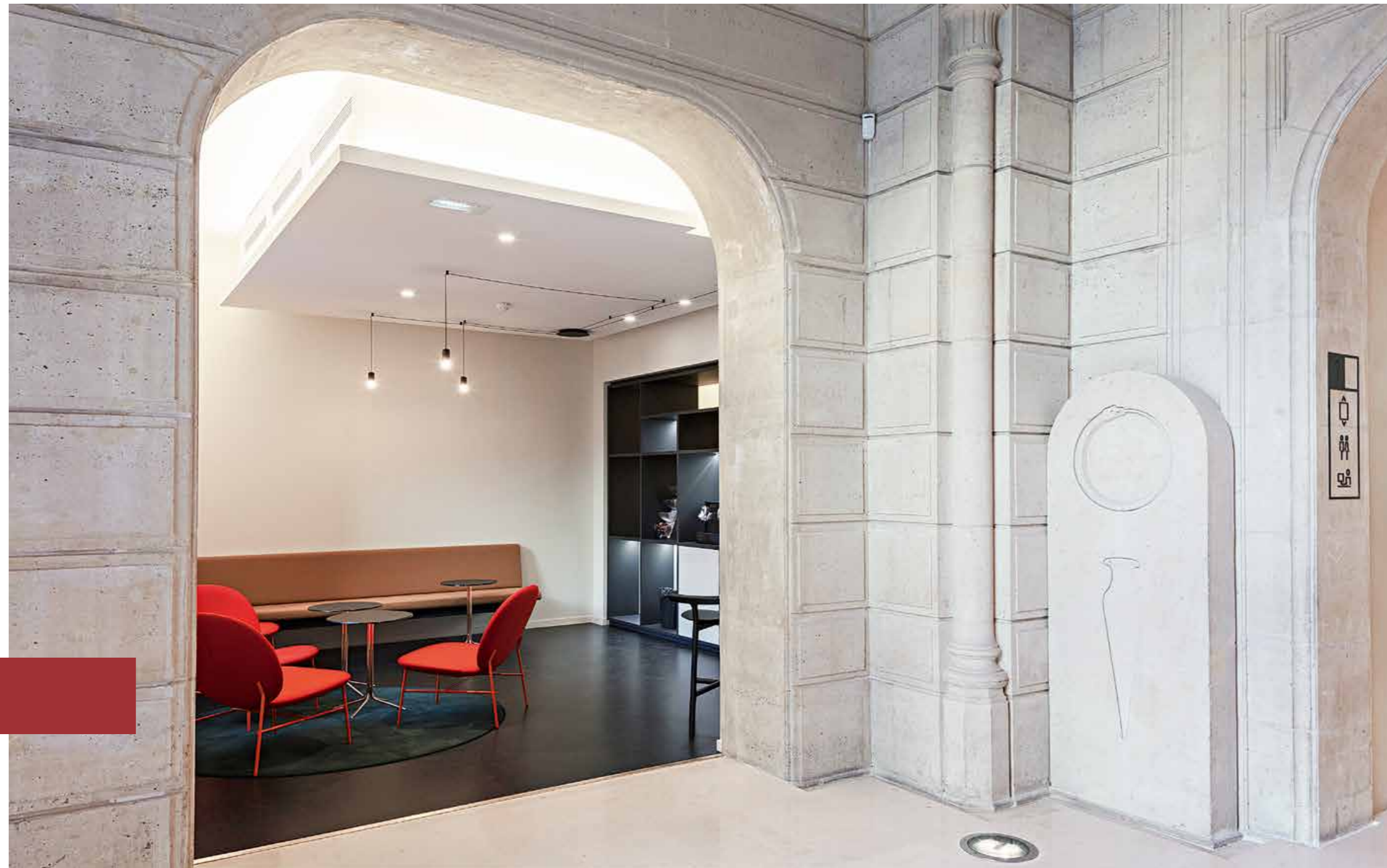
of in-use SFL properties have been certified as meeting the BREEAM In-Use (BIU) international standard, Part 1 (asset performance) and Part 2 (building management performance).



92 Champs-Élysées, Paris 8

103 Grenelle

For SFL, each redevelopment project is a new opportunity to be inventive and to offer the finest premises and amenities to improve the user experience.



A people-friendly business centre

103 Grenelle, which had an excellent year in 2017, offers a compelling illustration of this commitment. The interior design was extensively remodelled to equip the building with a whole new range of amenities, including a new lobby inspired by hospitality industry design codes, revamped signage, reorganised workspaces, a new fitness centre, a herbal tea room and redeveloped exterior spaces. All of this means that today, 103 Grenelle is able to function as a highly flexible business centre.

From scheduling to final delivery, the project was also a very good example of collective intelligence, with the projects coordinated by our Asset Management and Development teams enabling the deployment of an integrated solution (architecture, utilities, marketing, organisation, operation, etc.) that was both creative and exciting.

Without impacting the building's structure, these upgrades have greatly enhanced the property and attracted new businesses. The space that was vacant prior to the works (30% of the total area) was all leased in just six months at much higher rents. This was a double win for SFL, whose 103 Grenelle renovation has also helped to restore the appeal of the entire neighbourhood around the government ministries in the rapidly revitalising 7th arrondissement.

TRE TRENDS

Instilling intelligence in all our assets

SFL's hyper-connected, ultra-flexible, future-proof assets address all of a tenant's concerns for a high-performance, energy-efficient prime office building. With requisite foresight and communication, we work seamlessly with all of the stakeholders involved in constantly making our buildings smarter and more efficient.

Bespoke outcomes

There is no performance without proper attention and planning. To deliver buildings perfectly aligned with tenant needs, SFL pays particular attention to each tenant's special characteristics, business segment and ways of working. By listening carefully and staying in regular contact, we can form a clearer vision of their present and future needs as they evolve and grow.

More than 92% of the 2017 satisfaction survey respondents said that they were satisfied or very satisfied with the premises leased from SFL.

Upgradeable and efficient

To facilitate future upgrades and redevelopments, SFL buildings are equipped with passive communication systems that will make it easier to route radio waves, for example, through a pre-installed network that complies with the environmental and well-being standards inspired by the Nordic countries.

Tightly managed

SFL guarantees tenants that building exposures are diligently managed, with weak electromagnetic radiation, high-performance bandwidths without exceeding the recommended exposure limits and carefully controlled energy use. For all its managed assets, SFL uses its proprietary MEX web-based operations management platform, which enables it to effectively share information with every partner.

Modelled

To enable everyone to share their data, foresee potential bottlenecks well before works begin and visualise the plans in ultra-detailed 3D geometry, SFL is testing the BIM process in three of its revenue-generating assets.

Focus on BIM

• Project Management BIM

SFL has integrated a BIM process into the three redevelopment projects undertaken since 2017: 96 Léna, 112 Zola and Louvre Saint-Honoré.

• Facility Management BIM

SFL is developing 3D and real time prototypes in three buildings, 90 Champs-Élysées, 92 Champs-Élysées and Washington Plaza, to lay the groundwork for its digital revolution.



Cézanne Saint-Honoré, Paris 8

More than a workspace, a worklife environment

Our relationship to work is changing and, with it, our relationship to the workplace. Today, the most important criteria for assessing a workplace is its ability to satisfy direct users. That's why SFL pays particular attention to user aspirations, as expressed in two major surveys, one on tenant satisfaction and the other on how employees in the greater Paris region use their offices.

The office is no longer considered merely a place to work. Just as important are building quality, workspace layout and the amenities on offer, but also the building's surroundings and its location in a lively, central neighbourhood. For the past four years, SFL has partnered with the IFOP polling organisation to conduct a survey on these issues, which is one of the broadest in terms of both the number of people polled (more than 2,700 every year) and the number of questions asked (more than 80). After having researched company employee expectations (2014), executives' favourite neighbourhoods (2015) and the different ways employees in Paris and London use their offices (2016), the 2017 Paris WorkPlace survey highlights the expectations of French Tech employees.

For SFL, a thorough knowledge of user expectations and usage patterns is an indispensable prerequisite for designing the best offices possible. The survey's findings shed a special light on the changes that are currently heralding the emergence of a different view of how work is organised and offices are used. The French Tech sector was chosen because its companies are defining tomorrow's standards and they have been the most assertive and daring in capitalising on their employees' working environment. The findings are also helping to shape our thinking about the future of offices.



A new Paris WorkPlace survey

In 2017, the annual Paris WorkPlace survey, conducted by SFL in collaboration with IFOP, polled 2,700 employees to answer the question: "Is it (really) better to work in a French Tech company?" Four of the findings offered SFL fresh food for thought.



FINDING NO. 1

Location, location, location

Time spent in commuting is closely correlated to employee well-being. This means that companies need to choose a central district if they want to attract and retain talented employees. 67% of French Tech employees feel that commuting time is the most important criteria for a workplace and, more than ever, they prefer central neighbourhoods.

Average commute
37 min. 48 min.

When the daily commute is less than 40 minutes:
Well-being score
8.5/10 6.9/10

Employees very satisfied with their neighbourhood
Nearby stores: 69% 24%
Nearby restaurants: 65% 23%
Quality of life: 37% 14%

French Tech employees General population

FINDING NO. 2

Offices are collective intelligence catalysts

For French Tech employees, working efficiently in a team is the primary reason for going to the office. And the more they work in a team, the happier they are, regardless of the type of company.

And the more they move around during the day, the happier they are. As ways of organising work are transformed by new practices – working on projects, taking advantage of other places during the day, increasing opportunities and spaces for interacting with colleagues – offices are having to adapt to keep up.

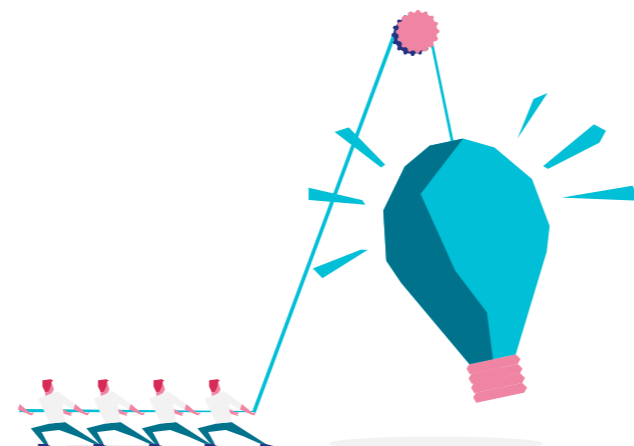
I often work in a team
68% 39%

Well-being score by frequency, all industries
Rarely: 5.9/10
From time to time: 6.5/10
Fairly often: 7.1/10
Very often: 7.6/10

I work in an open space office
88% 49%

I work in a closed office
12% 51%

I work in several places during the day
57% 34%



FINDING NO. 3

The boundary between work and life is fading

The search for happiness and friendship is no longer restricted to our personal lives. We want to feel good at the office as well, taking advantage of amenities to make our lives easier and more fulfilling. Today, the user experience is primordial, and offices have to be designed primarily with the user in mind.

The workplace is also a worklife environment where we like to spend time
82% 43%

Social life with colleagues...
• Go for drinks after work
69% 26%

• Often have lunch with office mates
81% 55%

SFL satisfaction survey

The SFL satisfaction survey is conducted to improve our understanding of the satisfaction of our users and other stakeholders, based on a wide range of criteria measuring both the building's intrinsic qualities

and extrinsic factors. In 2017, the findings once again showed that users are particularly happy with our properties. They also offered invaluable guidance in making key decisions about issues, such as

asset location and personality, or the building's architectural transformation and new layout, and in preserving the flexible agility of our business model, which continues to underpin our successful leasing performance.



FINDING NO. 4

Offices are vectors of corporate image and employee loyalty

Today, the office plays a critical role in bringing together the community that nurtures a company's corporate identity. 84% of French Tech employees believe that their offices have a positive impact on their company's image and reputation. People now expect their offices to offer an accurate reflection of their company's DNA and values. A highly appealing place to work now helps to cement a company's reputation.

My company has a corporate culture
88% 58%

My offices accurately reflect that culture
86% 67%

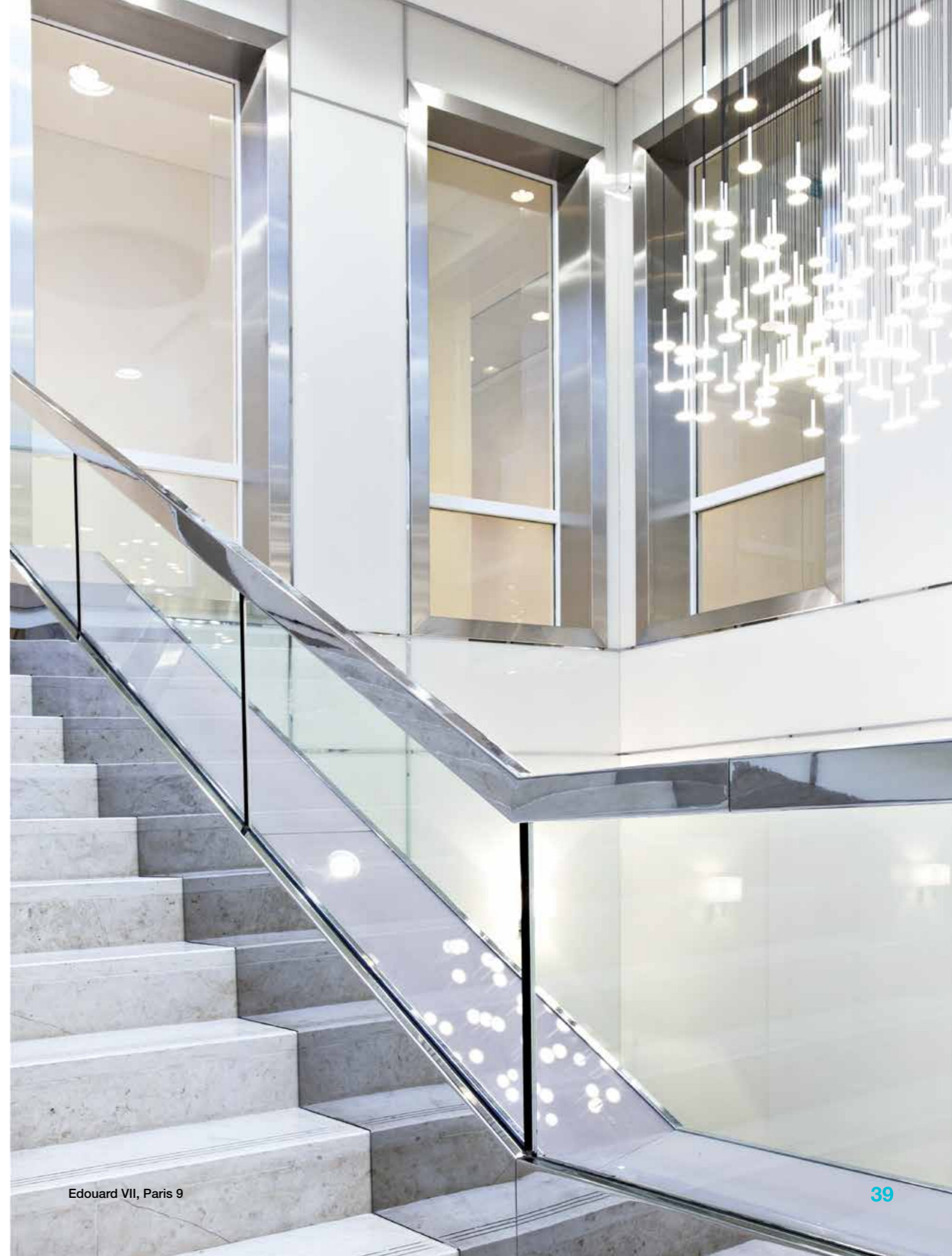
Very high value-added tenants

SFL tenants are all major players or leaders in their markets, ranging from luxury goods, fashion, the media and French Tech & digital to consulting, banking, insurance and real estate brokers. They also share the same belief that their offices are primary vectors of their corporate image and performance. That's why we work closely with each one to design outstanding offices and support them in their growth and new needs.

Finance/ insurance	Law firms/ consultancies	Manufacturers	Other
AG2R LA MONDIALE	ashurst	Constellium	McDonald's
交通銀行 BANK OF COMMUNICATIONS	Bird & Bird	COTY	L'OCCITANE EN PROVENCE
EXANE	Freshfields	FONDATION EDF	PIERRE HERMÉ
KBL RICHELIEU BANQUE PRIVÉE	McKinsey & Company	GRDF	L'OLYMPIA BRUNO MAGLIATRIK
NATIXIS	MISYS	Mylan	wework
WELLS FARGO	Fashion houses	Real estate companies	Quasi-public organisations
Digital/media companies	BOSS HUGO BOSS	CBRE	esma European Securities and Markets Authority
BlaBlaCar	Calvin Klein	KLEPIERRE	Proparco CENTRE AGENCE IMMOBILIERE DE DEVELOPPEMENT
facebook	FAST RETAILING	QUARTUS ET LA VILLE DE PARTAGE	
Lagardère	H&M	SwissLife Asset Managers	
TV5MONDE	ZARA		

20
property complexes

92%
of surveyed employees are satisfied or very satisfied with their building
Source: 2017 SFL satisfaction survey



Edouard VII, Paris 9

PARIS SCOPE

1. Louvre Saint-Honoré

2, place du Palais-Royal, 75001 Paris
 Year of acquisition } 1995
 Main tenants } Fast Retailing, GIE Cartes Bancaires, Hugo Boss, IEDOM, Proparco and Swiss Life Asset Managers
 Total surface area } 47,700 sq.m
 Certification } BREEAM In-Use

Louvre Saint-Honoré offers vast, highly functional 5,400-sq.m floor plates in a prime location looking on to the Louvre museum. 16,000 sq.m in retail space on the first underground level, ground floor and first floor are going to be fully renovated over the next few years.



2. 131 Wagram

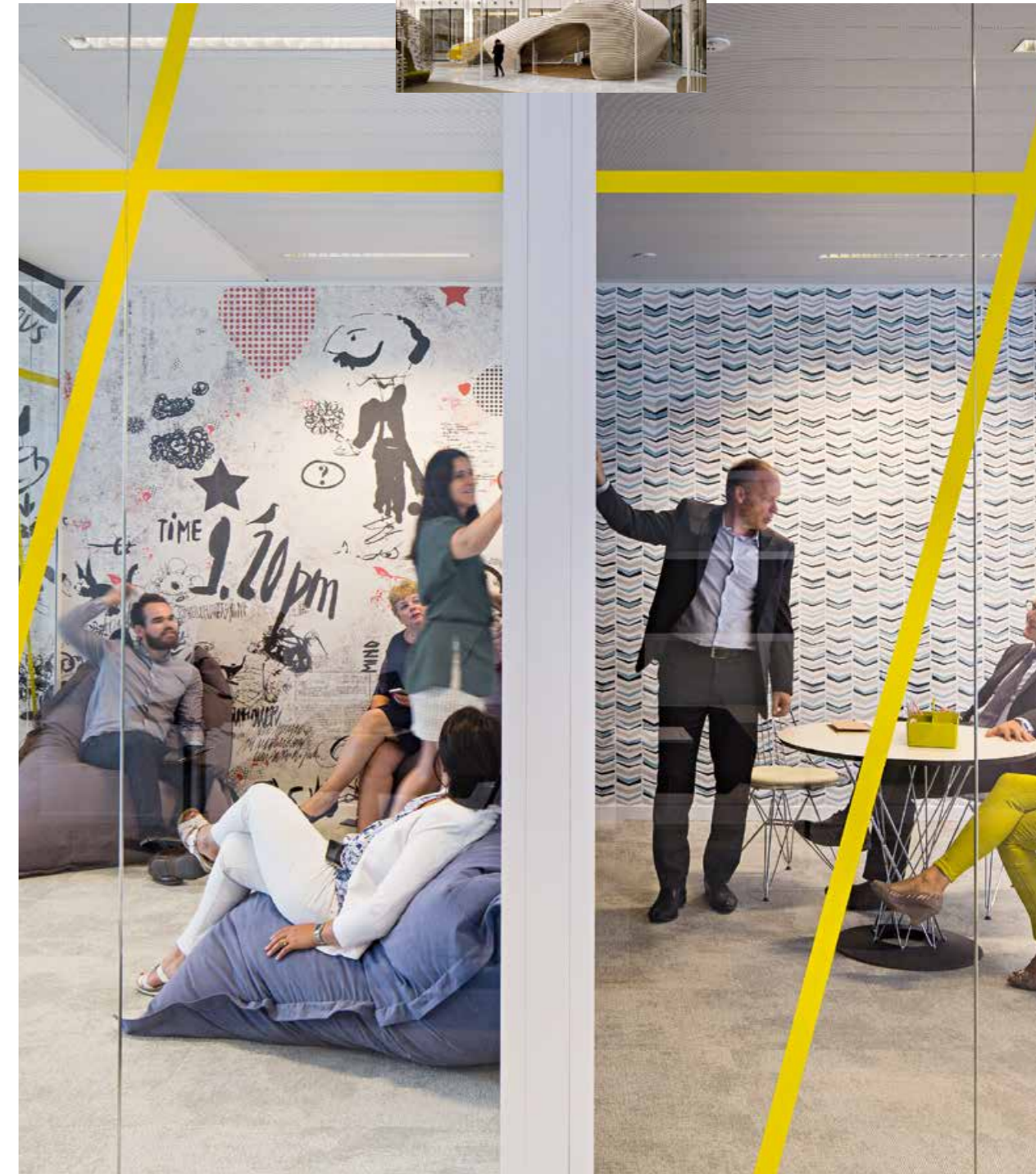
131, avenue de Wagram, 75017 Paris
 Year of acquisition } 1999
 Main tenants } CBRE and TV5 Monde
 Total surface area } 9,200 sq.m
 Certification } BREEAM In-Use

131 Wagram features a terrace, an interior garden, nine floors of offices and five underground levels. It offers light-filled, modular floor plates of around 800 sq.m each, an auditorium and a staff restaurant.

3. #cloud.paris

81-83, rue de Richelieu, 75002 Paris
 Year of acquisition } 2004
 Main tenants } BlaBlaCar, Coty, Exane and Facebook
 Total surface area } 35,000 sq.m
 Certifications } BREEAM Construction, BREEAM In-Use, HQE®, LEED®

#cloud.paris, a latest generation business centre in the very heart of Paris, offers beautiful, innovative, flexible offices designed to offer environmental excellence. Delivered in November 2015 and home to such prestigious companies as BlaBlaCar and Exane, its outstanding features earned it the French SIIC industry's 2015 "Ville et Avenir" Award and the 2016 MIPIM Award for Best Office & Business Development.





4. Galerie Champs-Élysées

82-88, avenue des Champs-Élysées, 75008 Paris
 Year of acquisition } 2002
 Main tenants } H&M, Häagen-Dazs, L'Occitane Pierre Hermé, McDonald's, Minelli, Paul and Promod
 Total surface area } 8,700 sq.m
 Certification } BREEAM In-Use

Enjoying one of the most prestigious locations in Paris, on the sunny side of the most popular section of the Champs-Élysées, this shopping arcade has been extensively redeveloped in recent years and has regained its sleek, elegant and eye-catching looks following a complete redesign by Jean Nouvel. In 2016, SFL launched a pop-up store concept to maintain footfalls and enhance the arcade's commercial appeal. In late 2017, the arcade's 86 Champs-Élysées address became home to the new concept store developed by L'Occitane and Pierre Hermé.



5. Haussmann Saint-Augustin

104-110, boulevard Haussmann, 75008 Paris
 Years of acquisition } 2002 and 2004
 Main tenant } AG2R La Mondiale
 Total surface area } 13,400 sq.m
 Certification } BREEAM In-Use

In 2007, four adjoining buildings on boulevard Haussmann were transformed into a luxury office complex. Designed around a vast central lobby naturally lit from a glass roof, it features an 82-metre long freestone façade and a total surface area of more than 13,000 sq.m on seven floors.



6. 96 léna

96, avenue d'Iéna, 75016 Paris
 Years of acquisition } 2001 and 2007
 Main tenant } Alma Capital and Caixa
 Total surface area } 8,900 sq.m
 Certification } BREEAM In-Use

With an exceptional location right beside Place de l'Etoile, this six-storey property features an interior courtyard and terraces offering outstanding views of the Arc de Triomphe. The site's uniqueness is augmented by three street-facing façades, affording it a rare degree of visibility. A redevelopment project is under review.



7. 90 Champs-Élysées

90, avenue des Champs-Élysées, 75008 Paris
 Years of acquisition } 2002 and 2009
 Main tenants } McKinsey, National Bank of Kuwait and Bank of Communications
 Total surface area } 8,900 sq.m
 Certifications } BREEAM Construction, BREEAM In-Use

Located above the Galerie des Champs-Élysées shopping arcade, this contemporary complex features a façade of freestone like that found in the most stunning Haussmannian buildings, but entirely transformed by Jean Nouvel. The property has been meticulously redeveloped and offers very attractive, bright floor plates of 1,200 sq.m each.





8. 9 Percier

9, avenue Percier, 75008 Paris
 Year of acquisition } 2015
 Main tenants } Fondation EDF, Helvetia and Arp Astrance
 Total surface area } 6,700 sq.m
 Certification } BREEM In-Use

Acquired in 2015 and completely renovated in 2016, 9 Percier is a 6,700 sq.m office building located in the heart of the Paris central business district. It enjoys excellent intrinsic amenities, including Art Deco façades, historic courtyards, a double lobby, 800 sq.m floor plates, exceptionally high ceilings and bright natural lighting.



10. Washington Plaza

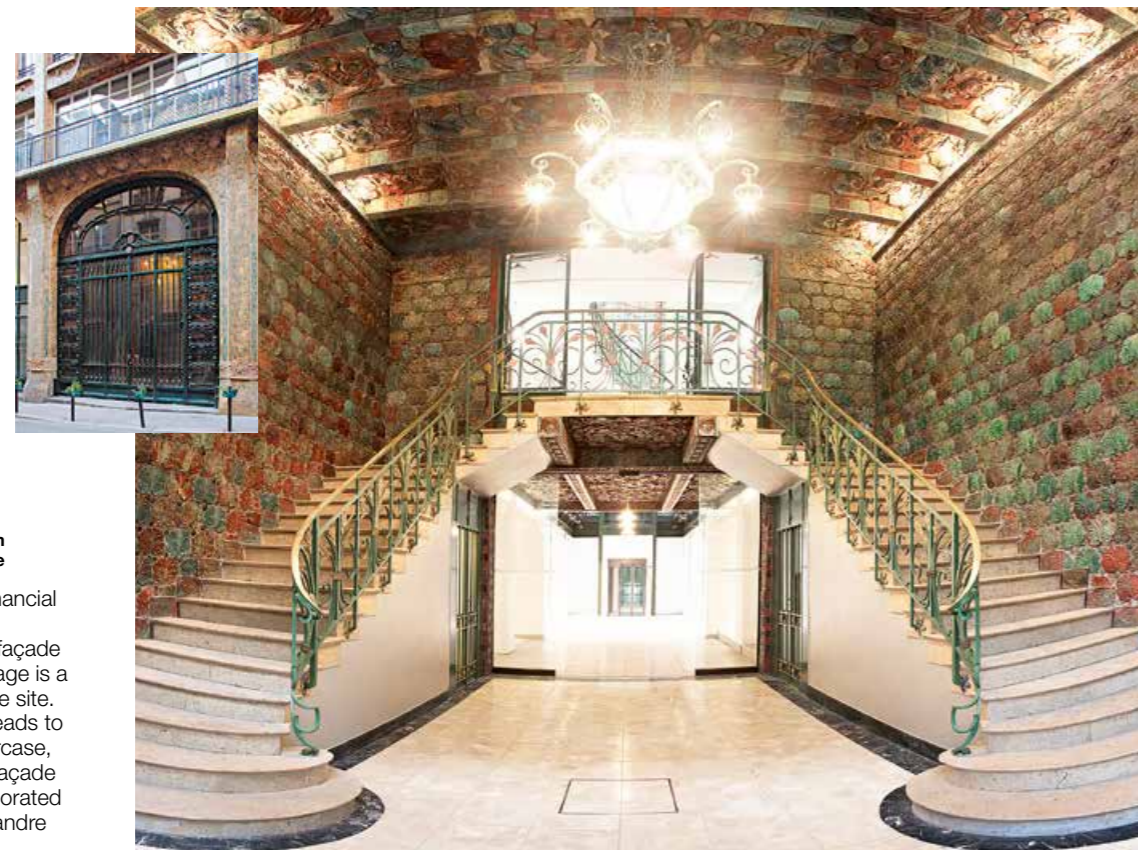
38-44, rue Washington, 75008 Paris
 Year of acquisition } 2000
 Main tenants } Candriam, Lagardère and Misys
 Total surface area } 47,000 sq.m
 Certification } BREEM In-Use

Located just off the Champs-Élysées on an 8,000-sq.m site, Washington Plaza is one of the capital's finest office complexes. An ambitious refurbishment programme was undertaken to radically transform its operation, identity and image.

9. 6 Hanovre

6, rue de Hanovre, 75002 Paris
 Year of acquisition } 1958
 Main tenant } Pretty Simple
 Total surface area } 4,600 sq.m
 Certification } BREEM In-Use

In the heart of the Paris financial district, this 1908 building featuring an Art Nouveau façade by architect Adolphe Bocage is a registered national heritage site. The vast entrance lobby leads to a majestic horseshoe staircase, while the concrete lobby façade and elevator shaft are decorated with ceramic tiles by Alexandre Bigot.



11. Condorcet

4-8, rue Condorcet, 75009 Paris
 Year of acquisition } 2014
 Main tenant } GrDF
 Total surface area } 24,900 sq.m
 Certification } BREEAM In-Use

Composed of seven buildings dating from the late 19th century, the Condorcet complex remains steeped in history thanks to the conservation of its original features. The building interiors are set off by a myriad of neo-classical touches, such as sculpted columns, painted ceilings and a variety of decorative elements in marble and wood.



12. 176 Charles de Gaulle

176, avenue Charles de Gaulle,
 92200 Neuilly-sur-Seine
 Year of acquisition } 1997
 Main tenants } Hudson and Sacem
 Total surface area } 7,400 sq.m
 Certification } BREEAM In-Use

Located on the thoroughfare linking Place de l'Étoile to the La Défense business district, 176 Charles de Gaulle is composed of offices and a large retail space on the ground floor. One of the courtyard-facing façades looks out over new, landscaped gardens.

13. 92 Champs-Élysées

92, avenue des Champs-Élysées, 75008 Paris
 Year of acquisition } 2000
 Main tenants } WeWork and Zara
 Total surface area } 7,700 sq.m
 Certifications } HQE®, BREEAM In-Use

Home to Thomas Jefferson when he lived in Paris from 1785 to 1789, this is one of the best-situated buildings on the Champs-Élysées, on the corner of rue de Berri. A top-to-bottom redevelopment to restore its former glory was delivered in late 2012 with offices certified to HQE® standards. In late 2017, WeWork, the world leader in shared workspaces, signed a 12-year fixed-term lease for more than 3,000 sq.m.



14. 112 Wagram

108-112, avenue de Wagram, 75017 Paris
 Year of acquisition } 2008
 Main tenant } Zurich France
 Total surface area } 6,000 sq.m
 Certifications } HQE®, BREEAM In-Use

Nestled between Place de l'Étoile and Porte de Champerret, 112 Wagram stands out for its elegant industrial architecture, contemporary interior design, use of noble materials and impressive volumes, with three vast terraces and an interior courtyard.

15. Cézanne Saint-Honoré

1-6, rue Paul Cézanne, 75008 Paris

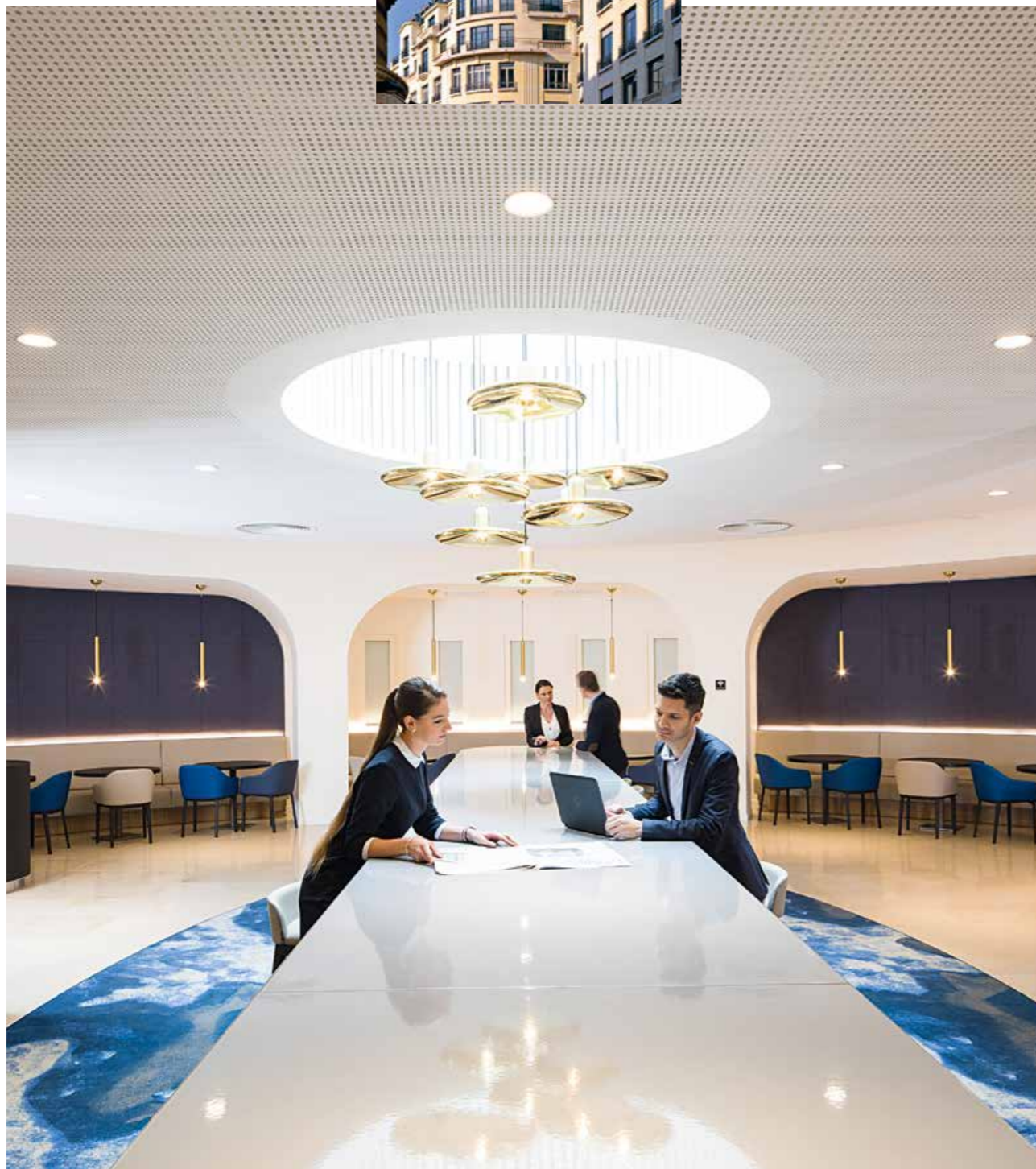
Years of acquisition } 2001 and 2007

Main tenants } Freshfields, LEK, KBL Richelieu and Quartus

Total surface area } 29,000 sq.m

Certification } BREEAM in-Use

This exceptional property complex comprises two standalone buildings that straddle a 100-metre long private street. In late 2016, the property was fitted out with a new occupant amenities centre. Inspired by hospitality industry design codes, the interior has been completely rethought by Studio Putman, with a food court, 100-seat auditorium, meeting rooms and VIP lounge.



16. Le Vaisseau

2, allée des Moulineaux, 92130 Issy-les-Moulineaux

Year of acquisition } 2006

Total surface area } 6,300 sq.m

Certification } BREEAM In-Use

Located on Île Saint-Germain, Le Vaisseau owes its name (the ship) to its unusual shape. The façade was inspired by naval architecture, with a moveable roof that can open upwards along its entire length. The entire site has been renovated to seamlessly reintegrate the building into its surroundings by reinterpreting the original concept.



17. 112 Zola

112-114 avenue Émile Zola, 75015 Paris and 52-58 rue Violet, 75015 Paris

Year of acquisition: 2017

Total surface area: 21,000 sq.m

112 Zola enjoys a prized location in the 15th arrondissement, just minutes away from some of Paris' most iconic sights and surrounded by retail shops, commercial buildings and housing units. Built in 1966 by architects Raymond Lopez and Fernand Leroy, the building stretches over an entire block of tree-filled grounds, giving it two addresses. Vacated in November 2017 by its historic tenant, SMA, the property will be redeveloped to create a major new business centre in the west of the capital.



18. Rives de Seine

68-74, quai de la Râpée, 75012 Paris
 Year of acquisition } 2004
 Tenant } Natixis
 Total surface area } 22,700 sq.m
 Certification } BREEM In-Use

Located on the banks of the Seine close to the Gare de Lyon train station and public transit hub, Rives de Seine was built in 1974 and renovated in 2000. The 16-storey building offers remarkable panoramic views over the Seine.



19. 103 Grenelle

103, rue de Grenelle, 75007 Paris
 Year of acquisition } 2006
 Main tenants } Amiral Gestion, Calvin Klein, ESMA, Molotov TV, Regus and Shinsegae
 Total surface area } 18,900 sq.m
 Certifications } HQE®, BREEM In-Use

Located on the Left Bank, in the 7th arrondissement, this historical complex is dominated by a tower that housed the first Chappe telegraph system in the 19th century and later the French Telegraph Administration. The building offers nearly 20,000 sq.m of prime rental office space with HQE® certification. The reception area and building amenities were upgraded in 2017.

20. Édouard VII

16-30, boulevard des Capucines, 75009 Paris
 Year of acquisition } 1999
 Main tenants } Ashurst, Bird&Bird, Klépierre, L'Olympia and Boulanger
 Total surface area } 54,100 sq.m
 Certification } BREEM In-Use

Built on a 1.5-hectare plot, the Haussmann-style Édouard VII complex is located in the heart of one of Paris's liveliest neighbourhoods. The property's surroundings and distinguished architectural style – the result of extensive remodelling – make it an outstanding showcase. Since the third quarter of 2016, the colourful rue Édouard VII store façades have instilled a modern, attractive feel to the entire complex.



PER
FOR
MIAN
CE

Investment

In January 2017, SFL entered into a €165 million deal to acquire the 112 Zola building, located at 112-122 avenue Émile Zola in the 15th arrondissement.

Built in 1966 on a 6,300 sq.m plot, the 21,000 sq.m property was formerly the head office of the SMA insurance group. SFL closed the deal and acquired title to the property when SMA moved out in November 2017.

The complex will be fully redeveloped in around three years, with the goal of becoming a major new business centre in the west of the capital.



112 Zola, Paris 15

€165 m (net)
invested in 2017

Portfolio management

In September 2017, as part of its value creation and portfolio management strategy, SFL sold the In/Out building at 46 quai Le Gallo in Boulogne to Primonial.

Acquired in 2000 by SFL under a sale and leaseback transaction, the 35,000 sq.m property was extensively remodelled beginning in 2011 to transform it into an outstanding office campus in the Western Crescent. It has been entirely let to the OECD since 2015.

The building's net selling price of €445 million represented a capital gain of €80 million compared with its appraisal value at 31 December 2016, which SFL recognised in its consolidated accounts for the year, attesting to the effectiveness of its value creation business model.



In/Out, Boulogne-Billancourt

€445 m (net)
in proceeds from divestments in 2017

Leasing

SFL signed a large number of leases in 2017, representing around 21,000 sq.m in surface area.

Volumes in the greater Paris rental market rose in 2017, with 2.6 million sq.m leased during the year. Corporate demand firmed up, probably lifted by the revival in business confidence and the scarcity of high-quality stock.

Year-end vacancy rates in the region fell to 6.4%, the lowest since 2007 and representing 3.4 million sq.m in readily available space, of which 14% was new or like new. In Paris proper, the vacancy rate declined to 3.0%, a sign of the lack of available rental stock.

In this environment, SFL signed a large number of new leases in 2017, representing around 21,000 sq.m in all. 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 3,500 sq.m of offices in the Cézanne Saint-Honoré complex to LEK and KBL Richelieu,
- Leasing 2,800 sq.m in the Washington Plaza complex to various tenants,
- Leasing a 3,400 sq.m unit at 92 Champs-Élysées to WeWork,
- Renewing the lease on Théâtre Édouard VII,
- Leasing 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 unchanged over the year, further illustrating the highly attractive SFL portfolio and the Group's ability to maintain full occupancy of its properties.

96.4%

Physical occupancy rate

3.1%

EPRA vacancy rate

Development

The development pipeline at 31 December 2017 concerned around 13% of the asset portfolio and consisted mainly of three flagship projects.

These three projects will be rolled out over the next four years, as follows:

- The core of the Louvre Saint-Honoré complex, representing some 15,000 sq.m of retail space on rue de Rivoli in front of the Louvre Museum.
- The 112 Zola office complex, acquired in 2017, which will be completely remodelled to become a major business centre covering around 24,000 sq.m in the heart of the 15th arrondissement.
- The building of around 9,000 sq.m at 96 avenue d'Iéna, which enjoys an outstanding location and will be extensively renovated to offer superior amenities.

All of these projects have intrinsic features that, after refurbishment, will drive the development of exceptionally high quality properties and a further increase in the value of SFL's portfolio.

In 2017, feasibility studies and permit application processes were pursued or deployed to prepare for the start-up of works in 2018.



Cézanne Saint-Honoré, Paris 1



112 Zola, Paris 15



96 Iéna, Paris 16

Rental income

Rental income came to €195.8 million
in 2017, versus €198.1 million the year before.

While slightly down as reported, on a comparable portfolio basis, rental income rose by 3.6% over the year, led by the robust marketing performance and new leases signed in 2016 and 2017.

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.

Rental income from spaces being redeveloped declined by €2.6 million over the year, reflecting the fact that several floors of offices were taken off the market for extensive renovation after tenants moved out.

Divestment of the In/Out building led to a €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.

€195.8m
in consolidated rental income

3.6%
growth in rental income on a comparable portfolio basis

EBITDA analysis by property (in € millions)

Building	2017	2016	2015
Édouard VII	28.8	27.7	24.2
Washington Plaza	21.5	21.4	18.6
#cloud.paris	16.3	16.6	1.0
Louvre Saint-Honoré	14.7	13.2	9.8
Cézanne Saint-Honoré	12.6	14.0	16.2
Galerie Champs-Élysées	11.6	11.4	12.5
Rives de Seine	10.3	10.3	10.2
In/Out*	9.7	13.0	2.7
Condorcet	9.6	9.2	8.7
Hausmann Saint-Augustin	9.5	9.6	9.5
92 Champs-Élysées	8.8	10.5	10.4
103 Grenelle	8.5	9.1	8.0
90 Champs-Élysées	6.8	6.7	5.8
96 Léna	4.2	4.2	3.8
131 Wagram	4.0	4.1	5.4
112 Wagram	3.1	3.2	3.1
176 Charles de Gaulle	2.9	2.8	2.6
9 Percier	2.5	1.2	0.8
6 Hanovre	1.4	1.3	1.3
112 Zola	0.0	-	-
Le Vaisseau	(0.6)	0.0	0.0
Properties in the portfolio at 31 December	186.3	189.4	155.1
Corporate overheads and other expenses	(22.6)	(18.2)	(18.4)
TOTAL EBITDA	163.7	171.2	136.7

* Building sold on 30 September 2017.

Portfolio value

The estimated market value of the portfolio at 31 December 2017 was €6,229 million excluding transfer costs. The estimated replacement value, including transfer costs, was €6,619 million.

The portfolio value therefore increased by 8.6% year-on-year and by 12.6% on a comparable 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 NNNAV 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 a year earlier.

€6.2bn (excl. TC)
Portfolio value

388,100 sq.m
Total surface area

Net Asset Value (in € millions)

	31 Dec. 17	31 Dec. 16	31 Dec. 15
Equity	3,763	3,123	2,713
Treasury shares	11	14	17
Unrealised capital gains	17	16	14
Elimination of financial instruments at fair value	(1)	0	0
Elimination of deferred taxes	99	81	102
EPRA NAV	3,889	3,234	2,845
EPRA NAV per share	€83.6	€69.5	€61.2
Financial instruments at fair value	1	0	0
Fixed-rate debt at fair value	(63)	(71)	(23)
Deferred taxes	(99)	(81)	(102)
EPRA NAV	3,729	3,082	2,721
EPRA NNNAV per share	€80.1	€66.2	€58.5
Shares outstanding (in thousands)	46,529	46,529	46,529

€80.1
EPRA NNNAV per share

Financial performance

In 2017, SFL demonstrated its ability to maintain its performance indicators at historically high levels thanks to its portfolio of revenue-generating properties almost entirely leased at best market rates and with optimised finance costs.

Consolidated rental income stood at €195.8 million for the year, versus €198.1 million in 2016, while net rental income came to €184.9 million versus €187.6 million.

Operating profit before disposals and fair value adjustments to investment properties amounted to €164.1 million in 2017, versus €169.7 million the year before.

The sale of the In/Out building in September 2017 gave rise to a €80.3 million capital gain for the year, compared with its appraisal value at 31 December 2016, and fair value adjustments on investment properties stood at €635.1 million.

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, reflecting SFL's lower average refinancing costs and the reduction in its total debt.

EPRA earnings rose by 1.5% during the year to €102.4 million from €100.9 million in 2016.

Profit for the year came to €796.3 million, of which €685.3 million was attributable to shareholders.

€195.8m

in rental income,
up 3.6% like-for-like vs. 2016

€685.3m

in attributable net profit,
versus €504.1m in 2016

EPRA earnings (in € millions)

	2017		2016		2015	
	Recurring EPRA	Non-recurring	Recurring EPRA	Non-recurring	Recurring EPRA	Non-recurring
Rental income	195.8	0	198.1	0	168.8	0
Property expenses, net of recoveries	(10.9)	0	(10.5)	0	(14.3)	0
Net rental income	184.9	0	187.6	0	154.5	0
Service and other revenues	2.2	0	2.9	0	2.4	0
Depreciation, amortisation and provision expense, net	(0.3)	0	(1.6)	0	(1.3)	0
Personnel costs and overheads	(20.4)	(3.0)	(19.2)	0	(20.2)	0
Operating profit before disposals and fair value adjustments	167.0	(3.0)	169.7	0	135.3	0
Profit on asset disposals	0	80.3	0	0	0	0
Fair value adjustments on investment property	0	635.1	0	438.0	0	513.7
Share of profit of associates	0	0	0	0	0	0
Finance costs and other financial income and expense	(41.2)	(0.5)	(46.0)	(2.1)	(47.3)	(22.3)
Income tax expense	(9.2)	(33.3)	(8.3)	11.6	(8.9)	(25.3)
Profit for the year	116.6	679.7	115.3	447.6	79.1	466.1
Non-controlling interests	(14.2)	(96.8)	(14.4)	(44.4)	(13.3)	(39.0)
Attributable net profit	102.4	582.9	100.9	403.2	65.8	427.1
EPRA earnings per share	€2.20		€2.17		€1.41	

€102.4m

EPRA earnings,
up 1.5% vs. 2016

Debt and financing

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

SFL's debt structure further improved in 2017, with a decline in the average cost of debt to 1.7%, a reduction in the loan-to-value (LTV) ratio to 24.6% and an increase in the interest cover ratio (ICR) to 4.0 times.

During the year, SFL redeemed the outstanding €301 million in bonds issued in November 2012 and set up two new corporate revolving lines of credit for an aggregate €250 million, strengthening its ability to seize investment opportunities and cover its liquidity risk.

At 31 December 2017, consolidated net debt amounted to €1,631 million, with an average maturity of 4.5 years and an average cost after hedging of 1.7%. SFL also has €760 million in confirmed credit lines that are currently unused but could be drawn at any time.

Debt structure (in € millions)

	31/12/17	31/12/16	31/12/15
Bonds	1,000	1,301	1,456
Bank loans	444	445	162
Mortgage financing	203	205	208
Lease financing	0	0	27
Total debt	1,647	1,951	1,853
Cash and cash equivalents	16	20	12
Net debt	1,631	1,931	1,841
Undrawn lines of credit	760	540	610
Estimated value of assets including transfer costs	6,619	6,092	5,519
Loan-to-Value	24.6%	31.7%	33.4%
ICR	4.0x	3.7x	2.6x
Average maturity (years)	4.5	4.4	4.9
Average spot cost (after hedging)	1.7%	1.9%	2.4%

4.5 years
Average maturity

1.7%
Average spot cost (after hedging)

24.6%
Loan-to-value

BBB/A-2 with a stable outlook
S&P rating

EPRA performance indicators

SFL calculates its performance indicators in accordance with the recommendations issued by the European Public Real Estate Association (EPRA). The main indicators, whose detailed definitions may be found on www.epra.com, are summarised below:

EPRA performance indicators

(in € millions)	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
EPRA earnings	102.4	100.9	65.8
/share	€2.2	€2.2	€1.4
EPRA NAV	3,889.0	3,233.9	2,845.3
/share	€83.6	€69.5	€61.2
EPRA NNAV	3,728.9	3,081.8	2,721.0
/share	€80.1	€66.2	€58.5

(in %)	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
EPRA Net Initial Yield (NIY)	2.8%	2.9%	2.8%
EPRA Topped-Up NIY	3.2%	3.6%	3.8%
EPRA Vacancy Rate ⁽¹⁾	3.1%	3.1%	5.1%
EPRA Cost Ratio (including vacancy costs)	13.6%	12.9%	18.1%
EPRA Cost Ratio (excluding vacancy costs)	12.2%	11.1%	14.4%

(1) Attributable to the Group.

EPRA earnings

(in € millions)	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Attributable net profit	685.3	504.1	492.9
Less:			
Profit/(loss) on asset disposals	(80.3)	-	-
Non-recurring disposal costs	3.0	-	-
Fair value adjustments on investment properties	(635.1)	(438.0)	(513.7)
Fair value adjustments on financial instruments, discounting adjustments to debt and related costs	(0.6)	2.1	22.3
Tax on the above items	33.3	(11.6)	25.3
Non-controlling interests in the above items	96.8	44.3	39
EPRA earnings	102.4	100.9	65.8

EPRA NAV/EPRA NNAV

See the Statement of Net Asset Value on page 63.

EPRA Net Initial Yield/EPRA Topped-Up NIY

(in € millions)	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Appraisal value of investment property excluding transfer costs	6,229	5,736	5,242
Of which development cost	(421)	(313)	(233)
Portfolio value excluding transfer costs and development cost	5,808	5,423	5,010
Transfer costs on property portfolio	370	332	261
Portfolio value including transfer costs but excluding development cost (B)	6,178	5,755	5,271
Annualised cash rents	179	170	151
Irrecoverable property expenses	(4)	(3)	(6)
Annual net rental income (excluding rent-free periods) (A)	175	167	145
Plus: rent-free periods and other lease incentives	24	41	53
Annual net rental income (C)	199	208	198
EPRA NIY (A/B)	2.8%	2.9%	2.8%
EPRA Topped-Up NIY (C/B)	3.2%	3.6%	3.8%

EPRA Cost Ratios

(in € millions)	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Corporate expenses	23.3	19.2	20.2
Net service charges	10.9	10.5	14.3
Less: managed facility expenses	(6.0)	(5.3)	(5.1)
Less: employee divestment gains sharing	(3.0)	-	-
EPRA costs (including vacancy costs) (A)	25.3	24.5	29.4
Direct vacancy costs	2.7	3.5	6.1
EPRA costs (excluding vacancy costs) (A)	22.6	21.1	23.4
Gross rental income	195.8	198.1	168.8
Less: facility management revenues	(10.5)	(8.7)	(6.4)
Gross rental income (C)	185.3	189.4	162.4
EPRA Cost Ratio (including direct vacancy costs) (A/C)	13.6%	12.9%	18.1%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	12.2%	11.1%	14.4%

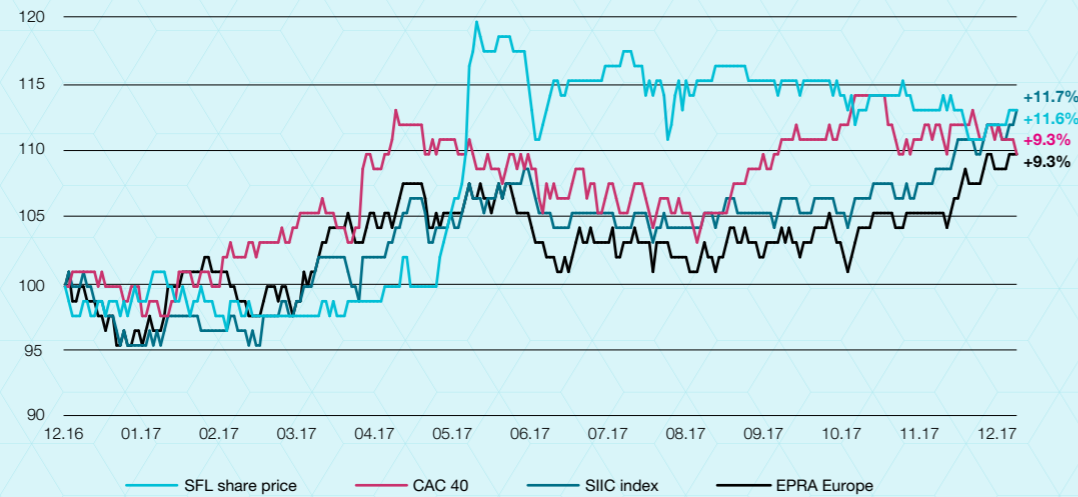
Investor information

The SFL share ended the year at **€54.61**, representing an 11.6% gain on the 2016 closing price of €48.95.

Over the same period, the EPRA Europe index rose by 9.3% and the CAC 40 index by 9.3%. SFL share trading volumes remained stable over the year, at an average 2,551 shares or €133,000 per day. In 2017, SFL paid a dividend of €1.05 per share in April, following on from the interim dividend of €1.05 per share paid in November 2016.

In the interests of simplification, the Board of Directors has decided to reinstate the payment of a single annual dividend, and will recommend that shareholders at the Annual General Meeting of 20 April 2018 approve a cash dividend of €2.30 per share for the year.

2017 SHARE PERFORMANCE⁽¹⁾

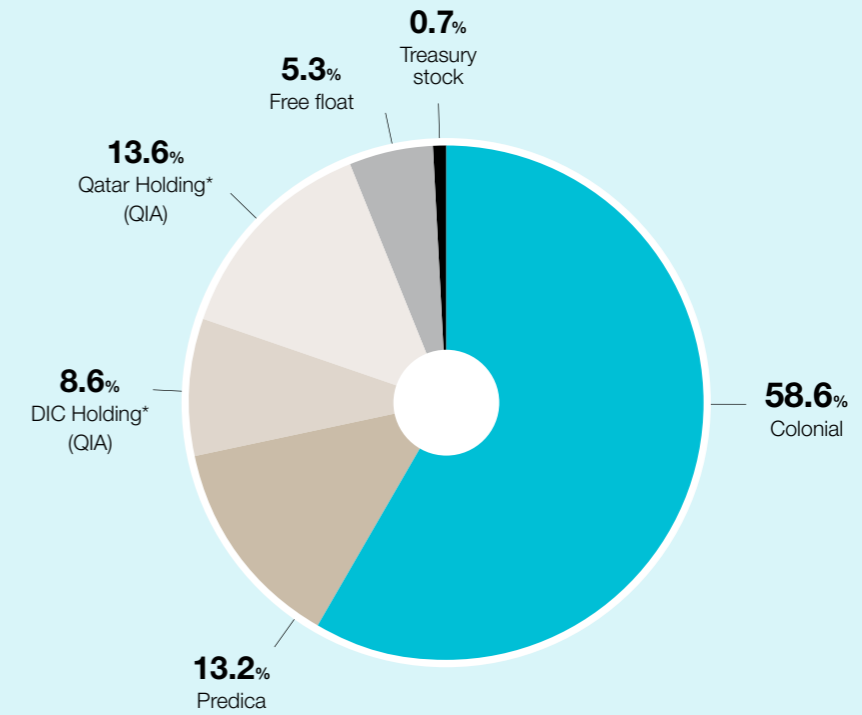


⁽¹⁾ Base 100: 31 Dec. 2016; data up to 31 Dec. 2017 – Sources: Euronext, EPRA.

11.6%

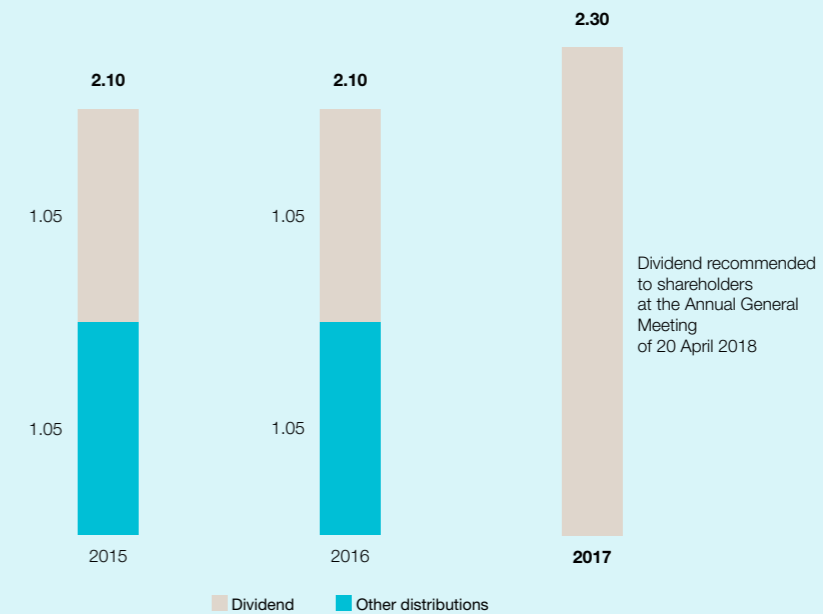
Year-on-year gain in the share price

SFL OWNERSHIP STRUCTURE at 31 December 2017 (46.5 million shares outstanding)



* Acting in concert

DIVIDEND PER SHARE (in €)



SFL

French *société anonyme* with
share capital of €93,057,948

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Design and execution | **W**



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