

## SFL – First-Half 2018 Results

<b>Rental income: €96.1 million (up 4.9% like-for-like)</b>
<b>EPRA earnings: €51.7 million (up 4.1%)</b>
<b>Attributable net profit: €200.2 million</b>
<b>Property portfolio value: €6,409 million (up 2.9%)</b>
<b>EPRA NNAV: €82.3 per share (up 2.7% over 6 months / 12.0% over 1 year)</b>

The interim consolidated financial statements for the six months ended 30 June 2018 were approved by the Board of Directors of Société Foncière Lyonnaise on 26 July 2018, at its meeting chaired by Juan José Brugera.

Business indicators were once again robust in the first half thanks to the high portfolio occupancy rate, while the period also saw further gains in the portfolio's appraisal value and the Company's net asset value.

The auditors have completed their review of the financial statements and issued their report on the interim financial information, which does not contain any qualifications or emphasis of matter.

### Consolidated data (€ millions)

	H1 2018	H1 2017	Change
Rental income	96.1	98.6	-2.6%
Adjusted operating profit*	78.7	82.5	-4.6%
Attributable net profit	200.2	378.7	-
EPRA earnings	51.7	49.7	+4.1%

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

	30/06/2018	31/12/2017	Change
Attributable equity	3,857	3,763	+2.5%
Consolidated portfolio value excluding transfer costs	6,409	6,229	+2.9%
Consolidated portfolio value including transfer costs	6,811	6,619	+2.9%
EPRA NNAV	3,830	3,729	+2.7%
EPRA NNAV per share	€82.3	€80.1	+2.7%

### **Results: robust business indicators**

- First-half consolidated rental income amounted to €96.1 million, down by a modest €2.6 million or 2.6% from the €98.6 million reported for the same period of 2017. Like-for-like growth went a long way towards offsetting the impact of selling the IN/OUT property in September 2017.

- On a like-for-like basis (excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €4.2 million (4.9%) higher, reflecting the impact of new leases signed in the second half of 2017 and the first half of 2018, mainly in the Washington Plaza, 103 Grenelle, Cézanne Saint-Honoré and 9 Percier properties, as well as an increase in rents for Galerie des Champs-Élysées retail units.
- The sale of the IN/OUT building on 29 September 2017 led to a €6.5 million decrease in rental income compared to first-half 2017.
- Lastly, income from assets under redevelopment and various penalties dipped by €0.3 million versus first-half 2017.

- Operating profit before disposal gains and losses and fair value adjustments to investment property amounted to €78.7 million in first-half 2018 versus €82.5 million in the year-earlier period.

- The portfolio's appraisal value at 30 June 2018 was 2.9% higher on a like-for-like basis than at 31 December 2017. The increase led to the recognition of positive fair value adjustments to investment property of €159.2 million at 30 June 2018 versus positive adjustments of €382.6 million at 30 June 2017.

- Net finance costs amounted to €16.5 million in first-half 2018 compared with €21.2 million in the year-earlier period. The period-on-period decrease of €4.6 million reflected the Group's lower average cost of debt and reduced debt burden, which led to a €6.2 million reduction in recurring financial expense.

- After taking into account these core items, the Group reported attributable net profit for the period of €200.2 million, compared with €378.7 million in first-half 2017. EPRA earnings came to €51.7 million in first-half 2018 compared with €49.7 million in the year-earlier period, an increase of 4.1%.

### **First-half 2018 Business Review**

#### Rental operations:

In a still favourable rental market in the Paris region, shaped by increased volumes compared to 2017 and higher rents, particularly in the capital's Central Business District, during the first half of 2018 SFL signed leases on around 8,500 sq.m., located mainly in the Washington Plaza, Cézanne Saint-Honoré and Louvre Saint-Honoré complexes.

The new leases were signed at an average nominal rent of €686 per sq.m, corresponding to an effective rent of €603 per sq.m.

The physical occupancy rate for revenue-generating properties remained high, standing at 96.5% at 30 June 2018 compared with 96.4% at 31 December 2017. The remaining vacant units are located mainly in the Cézanne Saint-Honoré complex in Paris and the Le Vaisseau building in Issy-les-Moulineaux. The EPRA vacancy rate improved to 2.7% from 3.1% at 31 December 2017.

Development operations:

Properties undergoing development at 30 June 2018 represented roughly 15% of the total portfolio. They consist mainly of three flagship projects being implemented over the next four years, concerning:

- the retail space in the Louvre Saint-Honoré complex,
- the Emile Zola office complex acquired in 2017, which will be extensively remodelled based on the building permit obtained in May 2018,
- the 96 Léna building, for which the planning appeal process has now ended, allowing renovation work to begin next January.

Capitalized work carried out in first-half 2018 totalled €13.6 million and concerned the above three redevelopment projects, as well as work to improve common areas and the services offered by the Group's properties in response to the new needs expressed by tenants and users on the back of emerging office use practices.

Portfolio operations:

No properties were purchased or sold during first-half 2018.

**Financing**

In May 2018, SFL issued €500 million worth of seven-year bonds maturing on 29 May 2025 and paying an annual coupon of 1.50% (see press release dated 17 May 2018). The proceeds will be used for general corporate purposes. The issue, at a historically low interest rate, extends the average maturity of the Group's debt, as part of its proactive balance sheet management strategy.

Net debt at 30 June 2018 amounted to €1,699 million, compared with €1,631 million at 31 December 2017, representing a loan-to-value ratio of 24.9%. At 30 June 2018, the average cost of debt after hedging was 1.8% and the average maturity was 4.8 years.

At the same date, SFL had €820 million in undrawn lines of credit.

### Net Asset Value

The consolidated market value of the portfolio rose by 2.9% to €6,409 million excluding transfer costs at 30 June 2018, from €6,229 million at 31 December 2017. The increase reflected higher rental values, resilient prime property yields in Paris and the value added by the Group to properties undergoing redevelopment.

The average EPRA topped-up net initial yield (NIY) was 3.2% at 30 June 2018, unchanged from 31 December 2017.

EPRA NNAV stood at €3,830 million or €82.3 per share at 30 June 2018 versus €80.1 per share at 31 December 2017, reflecting increases of 2.7% over the past six months and 12.0% over twelve months.

### Board of Directors

The Board of Directors noted Anne-Marie de Chalambert's decision to resign from her position as a director and extended its warmest thanks to her for her valuable contribution to the Board's work since she was first elected in 2010.

During the same meeting, the Board appointed Arielle Malard de Rothschild as an independent director, subject to ratification at the Company's next General Meeting.

### Alternative Performance Indicators (APIs)

#### API EPRA earnings:

€ millions	H1 2018	H1 2017
<b>Attributable net profit</b>	<b>200.2</b>	<b>378.7</b>
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment property	(159.2)	(382.6)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	1.5	0.0
Tax on the above items	2.0	20.1
Non-controlling interests in the above items	7.2	33.5
<b>EPRA earnings</b>	<b>51.7</b>	<b>49.7</b>

**API EPRA NNAV:**

€ millions	30/06/2018	31/12/2017
<b>Attributable equity</b>	<b>3,857</b>	<b>3,763</b>
Treasury shares	10	11
Unrealised capital gains	20	17
Fair value adjustments to fixed rate debt	(57)	(62)
<b>EPRA NNAV</b>	<b>3,830</b>	<b>3,729</b>

**API Net debt:**

€ millions	30/06/2018	31/12/2017
Long-term borrowings and derivative instruments	1,798	1,661
Short-term borrowings and other interest-bearing debt	13	36
<b>Debt in the consolidated statement of financial position</b>	<b>1,811</b>	<b>1,697</b>
Less:		
Current account advances (liabilities)	(56)	(56)
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	(2)	6
Cash and cash equivalents	(54)	(16)
<b>Net debt</b>	<b>1,699</b>	<b>1,631</b>

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

## 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 €6.4 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