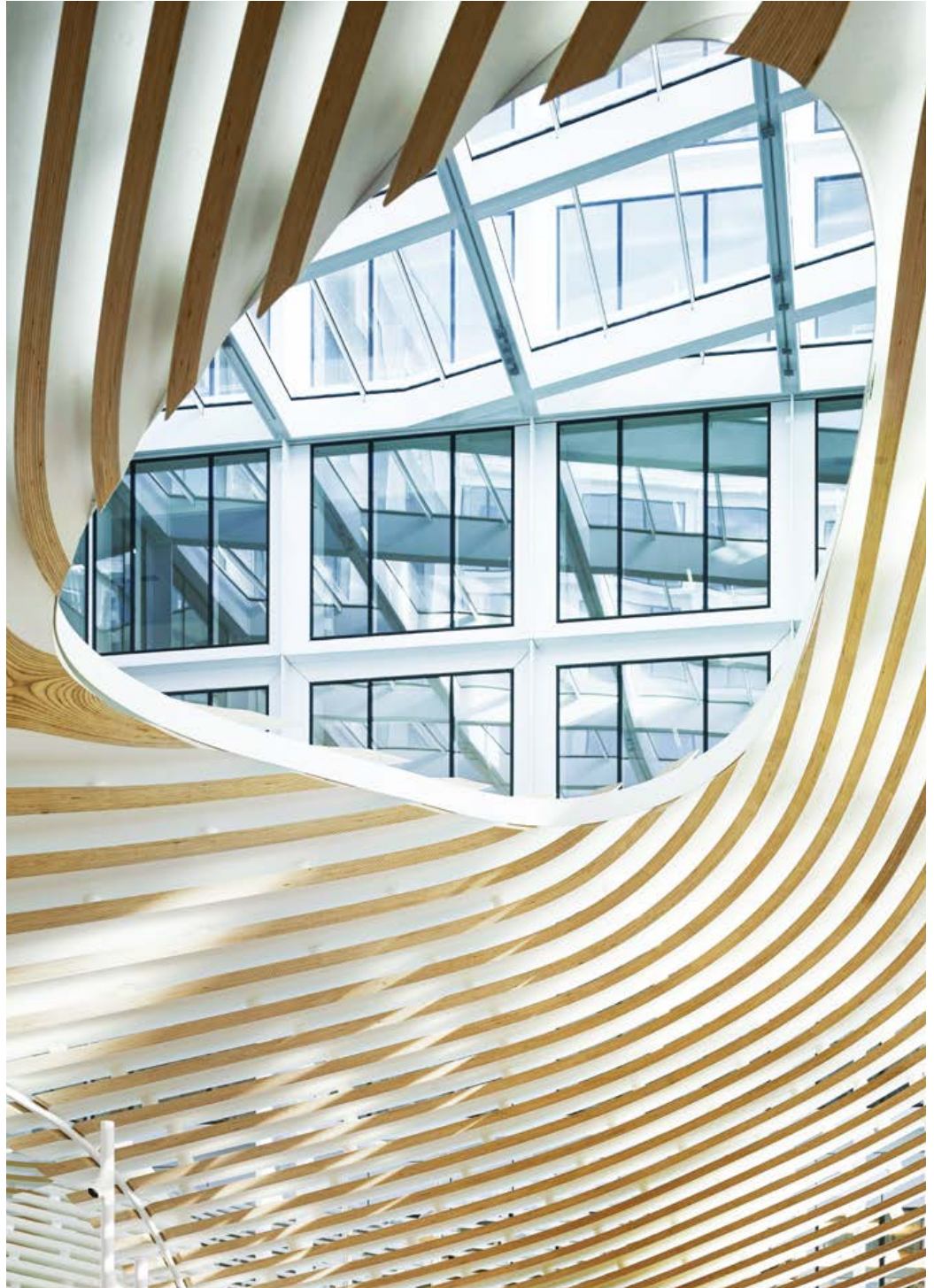




THE ART OF TRANSFORMATION



AVANT-GARDE

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2



VISION

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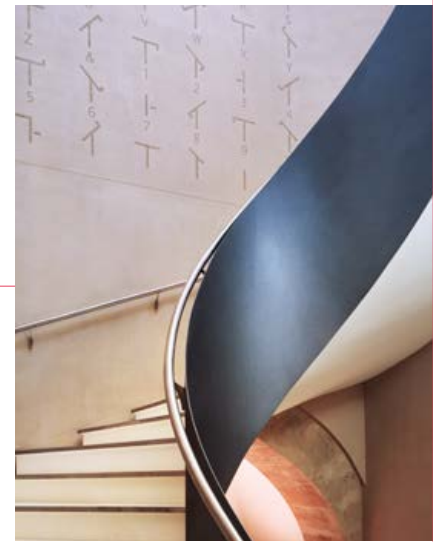
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4



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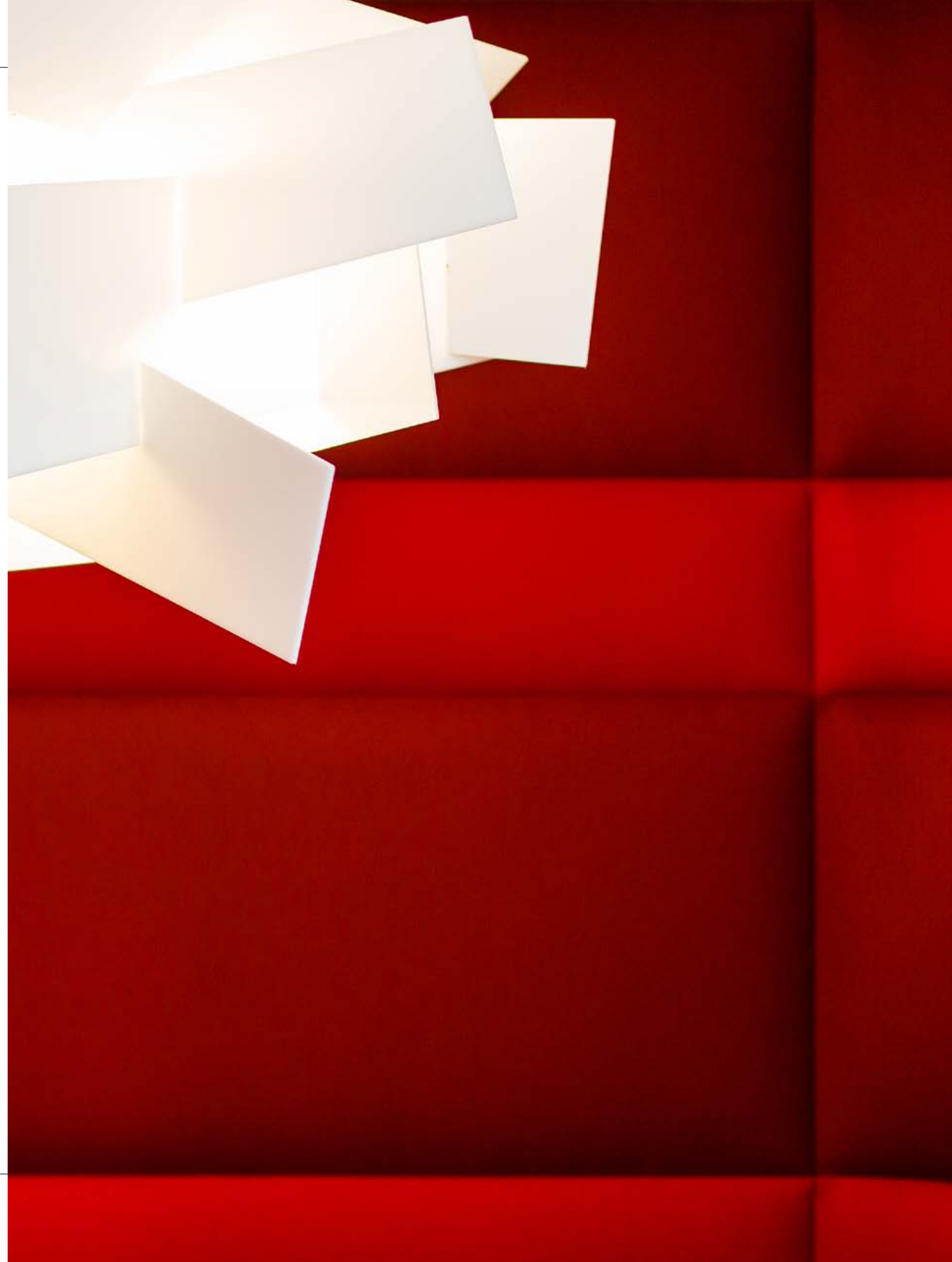
BY LISTENING ATTENTIVELY
BOTH TO ITS TENANTS
AND TO THE PEOPLE WHO
WORK IN THE GREATER
PARIS AREA, SFL GAINS
INSIGHT INTO THE
UNDERLYING TRENDS
THAT ARE RESHAPING OUR
RELATIONSHIP WITH WORK.

*Édouard VII,
Paris 9*

PART

1

0
2



Trend #1

A new work-life balance is emerging

Offices and their surrounding neighbourhoods are becoming work-life environments, with amenities that make our daily lives simpler and more pleasant.

38 %
of people under 35 and

25 %
of people over 35

LEAVE THE OFFICE FOR BUSINESS PURPOSES AT LEAST ONCE A WEEK.

Source: Paris WorkPlace 2018, fifth edition.

Washington Plaza, Paris 8



We're seeing more pooling and sharing not just of office floors, but also of third places like fitness rooms and gyms, break and massage rooms, a wide range of concierge services, food courts, coworking spaces and amphitheatres.

It used to be that in an office building, each tenant could have their own "privatised" workspaces and amenities. Today, two trends are becoming more prominent: the growth in the number and quality of increasingly hotel-like amenities and the permeability between personal life and work. Together, they are transforming the workplace into a worklife environment.



SONIA LAVADINHO, FOUNDER AND CHIEF EXECUTIVE OFFICER, BFLUID

"Before, work always came before leisure. This is no longer the case. Millennials and techies have already integrated this very fluid way of doing things, of optimising time and space in their schedules. In response, companies that want to hire them are looking to create 'lively', friendly spaces in their offices."

Trend #2

Nobody wants to waste time in a commute any more

This trend is impacting companies that want to attract talented employees, who are looking to limit their commute time.

6.8/10

IS HOW PARIS EMPLOYEES RATE THEIR WORKPLACE WELL-BEING WHEN THEIR COMMUTE IS LESS THAN 40 MINUTES.

The score falls to 6.4 when the commute is more than an hour.

Source: Paris WorkPlace 2018, fifth edition.

Hyper-mobile employees now judge and choose their workplace based on its ease of access, central location and transport options. They take a dynamic view of their workspace, preferring companies whose working environment facilitates mobility both in the office (working in different locations, moving around the workplace) and the neighbourhood (central location, easily accessible transport and services, etc.). Mobility issues were explored in the 2018 Paris WorkPlace survey, which found that the shorter the commute, the more employees wanted to stay with the company and the better they felt in the workplace.



FRÉDÉRIC DABI, IFOP

“Commute time is the most important criteria for the workplace. According to our Paris WorkPlace survey, employees with commute times of less than 40 minutes have record well-being scores.”

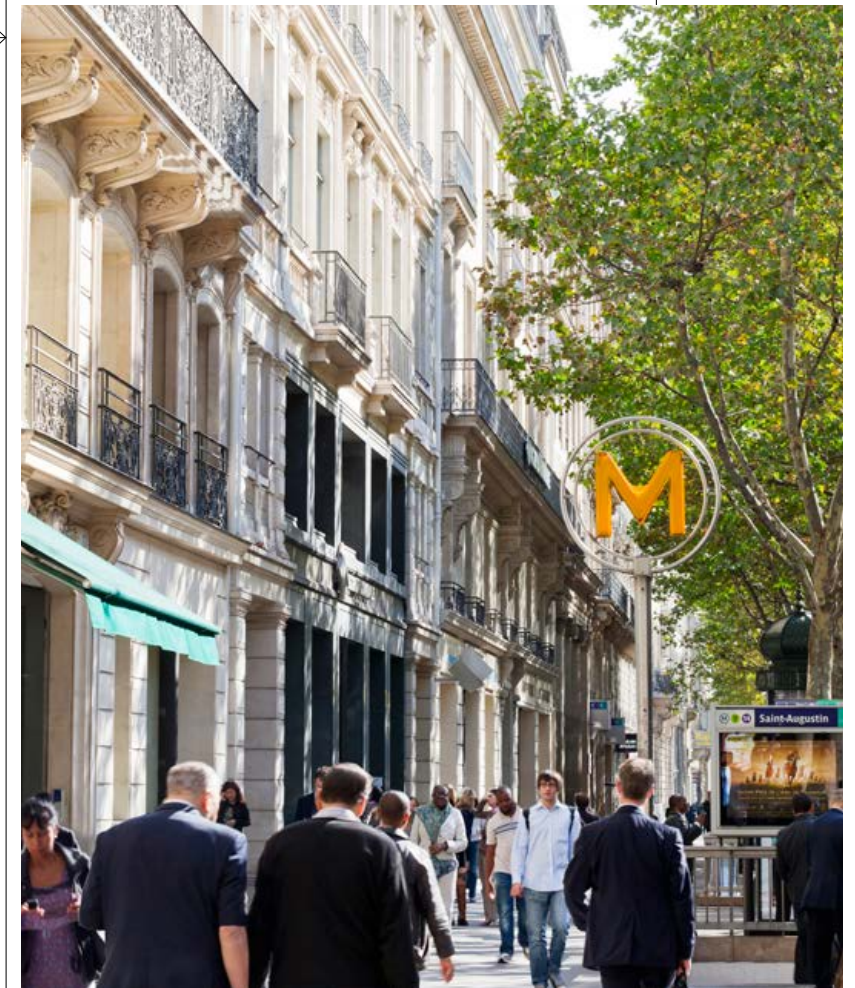
%
100
of SFL assets
ARE LOCATED IN A LIVELY CENTRAL BUSINESS DISTRICT.

106 Haussmann, Paris 8

The neighbourhoods where employees most want to work are also the ones best served by public transport.

Moving around or outside the workplace has a number of positive impacts on employees and the company alike.

Source: Paris WorkPlace 2018, fifth edition.



Trend #3

Offices are no longer seen as an expense, but as an investment

Our tenants are demanding increasingly higher quality buildings and office floors, with new materials, longer life cycles and new ways of using the space for new purposes. All with a view to improving both their business and their environmental performance.



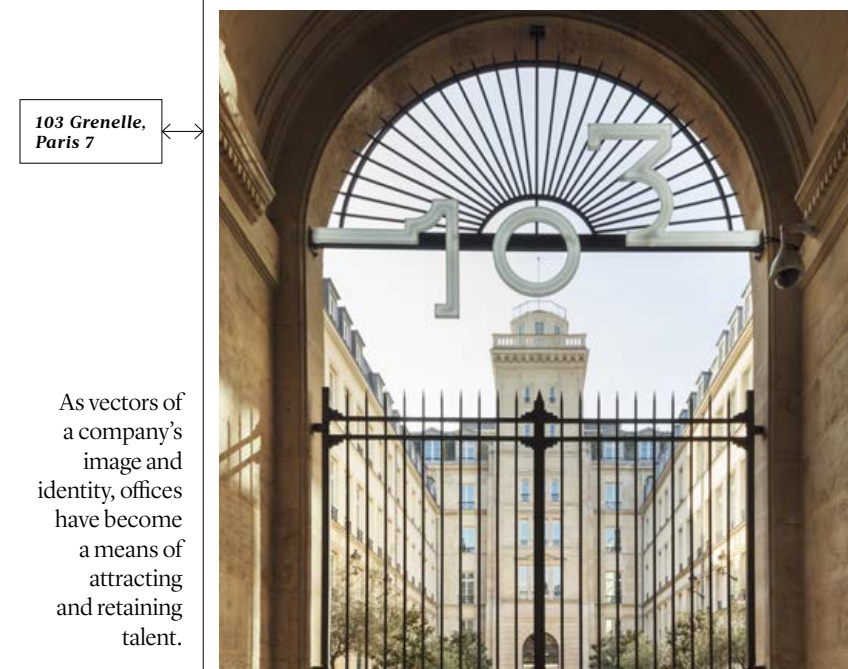
92 Champs-Élysées, Paris 8

Because SFL offices are designed by coordinated teams of architects, designers, landscapers, interior designers and environmental engineers, they enjoy longer life cycles, which ensures that their resources are managed more efficiently over the long term, with optimised operating costs.



Cézanne Saint-Honoré, Paris 8

They are now more flexible, offering scalable, bespoke layouts with an eye to providing a comfortable, feel-good place to work.



103 Grenelle, Paris 7

As vectors of a company's image and identity, offices have become a means of attracting and retaining talent.

While companies have long considered their offices as an expense, today they see their purpose in a new light, as key factors in employee well-being and environmental performance. Companies are looking for flexibility, beauty, comfort, high-quality amenities, long-lasting, scalable fixtures, and more. These concerns are heightening their interest in "technical" buildings, even if they require a larger up-front investment.

Trend #4

Companies are testing and adjusting to new ways of working

The office is no longer a self-contained environment; it is now seen as a space for interaction and emulation, a place to nurture a sense of community. Third places, mobility and open space are no longer taboo words.

92 Champs-Élysées, Paris 8



For

52 — %

OF ULTRA-MOBILE EMPLOYEES*, THE OFFICE IS A WORKPLACE, BUT ALSO A WORKLIFE ENVIRONMENT WHERE THEY LIKE TO SPEND TIME

(versus 38% of other employees) .

Source: Paris WorkPlace 2018, fifth edition.

* Employees who work outside the office at least once a week, in at least two locations in the same day and who have at least one outside business meeting a week.



FRÉDÉRIC MAZZELLA, CHAIRMAN AND FOUNDER OF BLABLACAR, A FRENCH UNICORN WITH OFFICES IN #CLOUD.PARIS, ALONG WITH FACEBOOK AND EXANE.

“We’ve increased the number of spaces in order to provide a range of atmospheres and encourage creativity, with open spaces featuring numerous workspaces. Add to that cafeterias, sofas and couches, and break-rooms. Meetings are opportunities to move about and it’s often around the coffee machine that we get our new ideas.”

Work patterns have changed dramatically in recent years, impelled by millennials, start-uppers and coworkers. The first contributed a culture of ultra-connected instantaneity, the second a culture of agility, collective intelligence and innovative, project-based working methods, and the third new ways of organising space, with open, friendly, shared third places. Employees want flexible, empowered ways of working in exciting, vibrant premises.

#cloud.paris, Paris 2



Inspired by hospitality industry design codes, SFL's approach focuses sharply on the user experience to deliver prime amenities that meet their needs. This means that we no longer transform offices solely for the tenant's benefit, but also with end-users in mind.

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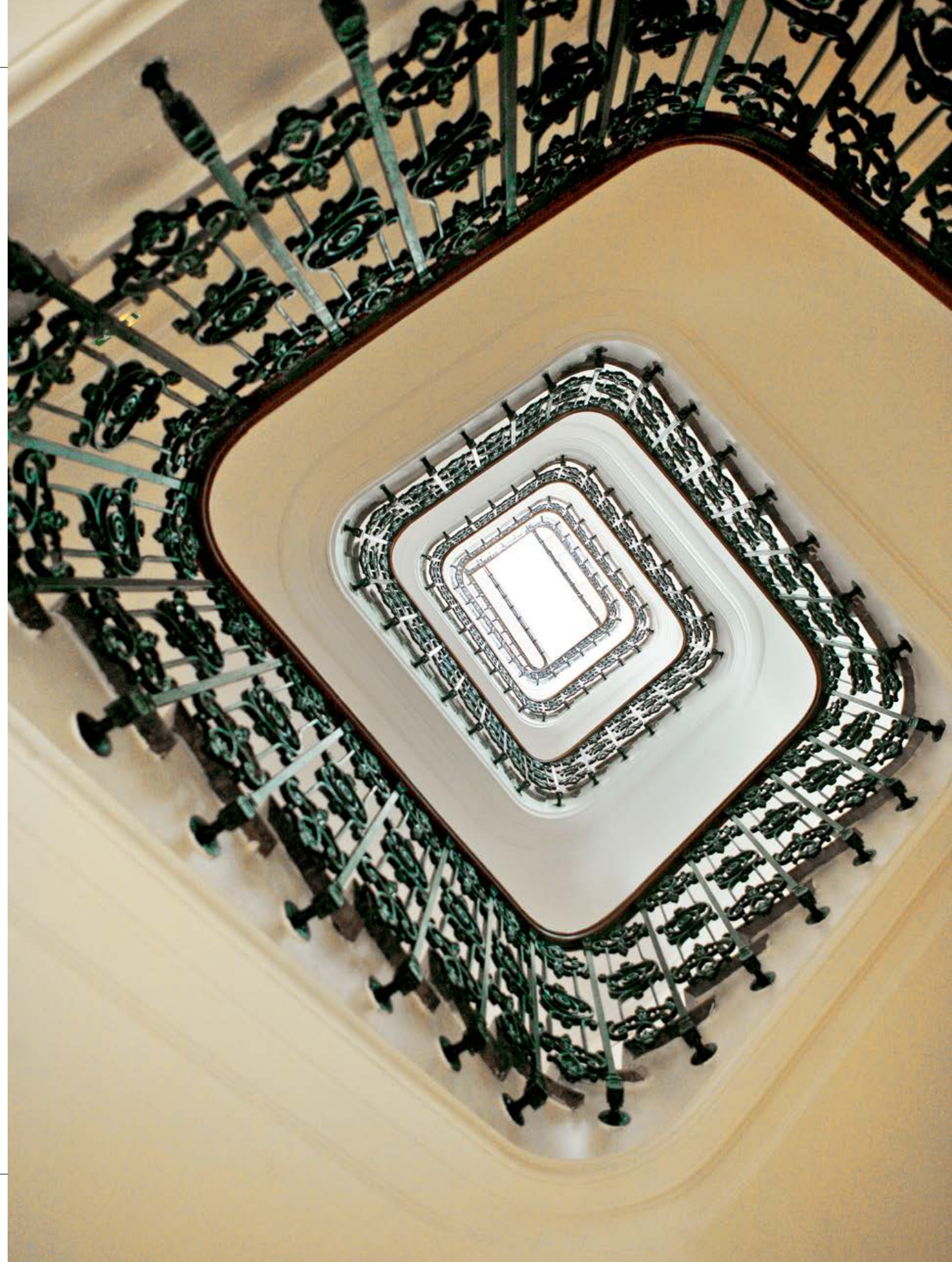
1
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PART

2

SFL SEES EACH OF ITS PROJECTS AS A UNIQUE OPPORTUNITY TO ENHANCE AND REINVENT ITS ASSETS, IN A COMMITMENT TO TRANSFORMING THE BUILDING AND CREATING VALUE.

106 Haussmann,
Paris 8



SFL in Figures

The leader in the prime Parisian office segment, SFL manages a portfolio of assets worth more than €6.6 billion. For 140 years, every transaction has been a unique opportunity to transform and increase the value of its properties.

20

VERY LARGE PROPERTY COMPLEXES

97.3

 — %

OCCUPANCY RATE

99

 — %

OF OUR ASSETS ARE LOCATED IN PARIS

392,300

 — sq. m.

OF ASSETS

78

 — %

OFFICES

21

 — %

RETAIL UNITS

€ m — 6,570

IN PORTFOLIO VALUE EXCLUDING TRANSFER COSTS

Interview

Juan José Brugera Clavero, Chairman,
and Nicolas Reynaud, Chief Executive Officer



Juan José Brugera Clavero

Chairman

Nicolas Reynaud

Chief Executive
Officer

SELECTIVITY

Does this situation mean that you can invest?

J.J.B.C.: The Parisian market is still very popular, especially with international investors. There's a lot of upward pressure on transaction prices, so properties are still very expensive. We didn't make any acquisitions in 2018, but we were very attentive to any investment opportunities that might have emerged. Moreover, the buoyant market is keeping the value of our assets high, which is one more reason to stay focused on our strategic niche.

TRANSFORMATION

So in 2018, you concentrated on your redevelopment projects?

N.R.: Absolutely. We obtained the building permit for Biome, our building in the 15th *arrondissement* undergoing redevelopment, which is being prepared for renovation work. The work is planned to take place between 2019 and 2021, the same as for the building on avenue d'Iéna, which was entirely vacated this year. The redevelopment of Louvre Saint-Honoré is less linear. We reviewed a project offering an alternative to our initial design that involves redeploying 16,000 sq.m. of outstanding retail space. This is a complex job in a building whose top office floors will remain in use during the project, which is scheduled for delivery in 2023.

What impact did the property market have on SFL's business?

N.R.: The rental market has been strong for a number of quarters and the balance between supply and demand tends to favour lessors, particularly in Paris and especially in the prime segment. This is obviously very good for SFL, which focuses exclusively on premium Parisian properties. It's having a very positive impact on our business. Our occupancy rate is excellent, at more than 97% throughout the year. We also delivered a very robust rental income performance, with a 5% gain for the year. This favourable environment also enabled us to hold the line on lease incentives, which, at around 13%, are under control and quite reasonable compared with the Paris market average of 15-17%. This demonstrates the enduring quality of our buildings.

**THE EXCELLENT
FUNDAMENTALS OF SFL'S
BUSINESS MODEL WERE
CONFIRMED IN 2018.
THE YEAR'S OUTSTANDING
FINANCIAL RESULTS
REAFFIRMED THE MODEL'S
STRENGTH AND THE
VALIDITY OF ITS PRIME
POSITIONING.**

“
**TRANSFORMATION
 IS WHAT SFL DOES BEST!
 WE DON'T JUST REFURBISH;
 WE GIVE OUR ASSETS
 A NEW IDENTITY,
 A NEW LIFE.**
 ”

CREATING VALUE

You're talking about major transformations...

J.J.B.C.: That's true, but transformation is what SFL does best! We don't just refurbish; we give our assets a new identity, a new life. When we buy a new asset, what we're interested in is its potential for future development, the value we can create in the years ahead. Every time we've transformed an asset, we've demonstrated that the value created represents, on average, 50% of the total investment. We want to create the "best" buildings for our tenants. This is what we enjoy doing and we do it well. We're being encouraged to continue in this direction both by the recognition we receive from the market and by the value of our assets. But the best indicator is the satisfaction of our tenants. With average yearly tenant turnover of just 7-8%, and 92% of our tenants in 2017 feeling satisfied or highly satisfied, I think we can say that there's a real affinity for SFL and its buildings.

PERFORMANCE

How have you strengthened your financial capabilities?

N.R.: Our EPRA earnings continued to improve, to €107 million in 2018, as did our portfolio value, which rose by 5.5% to €6.6 billion. Our adjusted net asset value, too, gained 7.7% to €86.3 per share. This performance, which has maintained the steady increase in our results over the past four years, has strengthened our finances and opened up very interesting prospects for the future. As for our assertive debt management, we issued €500 million in new bonds and redeemed €300 million in existing bonds. We also arranged €250 million in new bilateral lines of credit and a €300 million negotiable European commercial paper (NEU CP) programme. Lastly, our back-up facilities, which cover our liquidity risk and underpin our ability to seize new investment opportunities, totalled €920 million at 31 December 2018.

LONG TERM

Once again, your financial performance was very positive. How do you explain your results?

J.J.B.C.: As a property company, we are clearly committed to the long term. We don't have targets for volumes; for us, the only thing that matters is quality. And we are patient. That's why our investment choices are made very carefully. We only invest if we feel that it is an outstanding opportunity. We stay focused on the prime segment, with the vision of transforming our assets, increasing their value and making them better, more beautiful places to work. So that they can be the best. It's a niche, but it's very promising. This positioning and the validity of our business model are two of our key success factors.

Governance

Responsive and agile

With its emphasis on listening, open-mindedness and integrity, SFL's governance model encourages collective intelligence, curiosity and the sharing of ideas.

MANAGEMENT COMMITTEE

- 1 **Fabienne Boileau**
Chief Financial Officer
- 2 **Pierre-Yves Bonnaud**
Asset Management and Client Management Director
- 3 **Dimitri Boulte**
Managing Director,
Chief Operating Officer
- 4 **François Derrian**
Human Resources Director
- 5 **Aude Grant**
Deputy Managing Director
Asset Management
and Investment
- 6 **Éric Oudard**
Technical
and Development Director
- 7 **Nicolas Reynaud**
Chief Executive Officer
- 8 **François Sebillotte**
Chief Resources Officer,
Secretary to the Board



BOARD OF DIRECTORS

Chairman of the Board of Directors
Juan José Brugera Clavero

Directors

Pere Viñolas Serra (Vice-Chairman)
Angels Arderiu Ibars
Ali Bin Jassim Al-Thani
Jean-Jacques Duchamp
Chantal du Rivau
Carlos Fernandez-Lerga Garralda
Carmina Ganyet I Cirera
Carlos Krohmer
Arielle Malard de Rothschild
Luis Maluquer Trepas
Nuria Oferil Coll
Alexandra Rocca
Anthony Wyand

COMMITTEES

AUDIT COMMITTEE

Chairman

Carlos Fernandez-Lerga Garralda

Members

Jean-Jacques Duchamp
Carmina Ganyet I Cirera
Arielle Malard de Rothschild

REMUNERATION
AND SELECTION COMMITTEE**Chairman**

Anthony Wyand

Members

Arielle Malard de Rothschild
Pere Viñolas Serra

COMMITTEE
OF INDEPENDENT DIRECTORS**Members**

Arielle Malard de Rothschild
Alexandra Rocca
Anthony Wyand

EXECUTIVE AND
STRATEGY COMMITTEE**Chairman**

Juan José Brugera Clavero

Members

Jean-Jacques Duchamp
Carmina Ganyet I Cirera
Pere Viñolas Serra



Integrating sustainable development projects into the urban landscape

Paying attention to our environmental footprint means effectively managing the ways our business interacts with the urban ecosystem, with the reaffirmed responsibility of helping to build the city of tomorrow, a city that will be smarter, greener and more harmonious.

2
2

2
3

Washington Plaza,
Paris 8

The technical quality of an office building guarantees its sustainability and its energy performance. In this way, it also directly drives a reduction in the building's environmental footprint. For each transformed asset, SFL's mission is to create a customised, sustainable shell capable of delivering flexibility, multi-use capabilities and a wide array of building facilities and amenities far into the future. From selecting materials and planning for district heating and cooling systems to ensuring sustainable procurement, SFL supports all of the benefits of its technical investments over the short and long term.

• In 2008, SFL set the goal of using 30% clean energies by 2021

A project's architectural and design aspects are essential. This is a major concern for SFL and its tenants, who increasingly feel that offices must project an image and foster affinity. SFL is a master in the art of transformation, leading projects whose design, appearance and architectural presence are contemporary yet always resonant with the historical heritage of the city and the neighbourhood. In fact, SFL is one of the most widely recognised experts in this field, thanks to its knowledge and detailed understanding of the urban and architectural challenges facing the city of Paris, in particular through its

close working relationship with official French government heritage preservation architects (ABFs).

The top three concerns of our tenants over the past six years

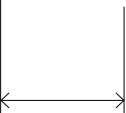
1. mobility and location
2. building design and appearance
3. flexibility and technical quality of office space

Innovation in technology and methods helps us to design and manage our assets more efficiently and to limit their environmental footprint in the city landscape. We've recently found impressive new ways to reuse construction materials in our re-development projects.



Taking action to reduce our environmental footprint

Even though all its assets have been certified BREEAM In-Use since 2013, SFL continues to innovate to further reduce its environmental footprint and help its tenants to optimise their energy bills. This is what we're doing.



Biophilia: reconnecting with nature
Biophilia is the innate affinity of human beings with the natural world. When applied to commercial real estate, this phenomenon provides a basis for new forms of interaction between building users and nature. It is also being explored and leveraged to drive improvements across the market. In addition to preserving urban biodiversity, SFL calls upon landscape artists and interior designers to bring green spaces inside its buildings. A wide variety of features – terraces, skylights, indoor green spaces, balconies, living walls – all contribute to the sensorial, visual and olfactory well-being of users. This is why the Biome redevelopment project is going to bring nature onto every floor.

District cooling and air conditioning systems: greener, more efficient and 100% renewable
A district cooling system produces and distributes chilled water from a central plant to buildings in a given urban neighbourhood. This innovative system offers an intelligent, collective way to address the pollution caused by current air conditioning systems. SFL is responding by partnering with Climespace to develop district cooling networks around its buildings, such as 103 Grenelle and soon Biome. The private initiative will benefit not only tenants, who will improve their energy efficiency,

but also the entire Parisian community by extending the city's public cooling system, which is currently the world's largest.

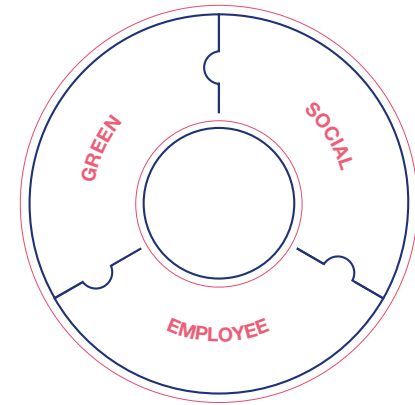
Transport-friendly locations to reduce environmental pollution
Location is the number one concern of our tenants, which we address by choosing buildings that are all within five minutes of a station in Paris' outstanding public transport system. In a tight real estate market, this commitment requires working on building and urban density in cooperation with municipal authorities and in line with tenant expectations. The central location of our assets directly reduces urban greenhouse gas emissions, while their density increases the amount of activity per building, which improves their energy efficiency, making it a win-win model. In this way, buildings like the Édouard VII complex or Washington Plaza act as integrated components of the city.



“ SINCE 2011, CARBON EMISSIONS HAVE DECLINED BY 30% TO 16KG OF CO₂ PER SQ.M. THIS PERFORMANCE IS HELPING SFL TO SUPPORT PROGRESS TOWARDS COP21 TARGETS. ”

Éric Oudard
SFL Technical and Development Director

92 Champs-Élysées, Paris 8



- SOCIAL VALUE**
- Tenant relations and satisfaction
 - Location and access
 - Certificates and labels
 - Convenience and amenities
 - Health, safety and environmental risk management
 - Urban footprint

- GREEN VALUE**
- Sustainable building operation
 - Carbon efficiency
 - Biophilia
 - Sustainable capital expenditure and procurement

- EMPLOYEE VALUE**
- Business ethics
 - Attracting talent and developing employee skills
 - Health, safety and quality of worklife
 - Corporate sponsorship and philanthropy
 - Diversity and equal opportunity

6 fundamental CSR priorities integrated into our core business
5 major CSR priorities
4 CSR priorities

Remarkable locations...

Despite competition from the world's other great property markets, Paris remains very attractive. While respecting the history and architecture of each *arrondissement*, we manage, preserve and develop a portfolio of 20 assets showcasing the art of transformation and our positioning as a prime office company.

... for outstanding tenants

For its tenants, who are all major players or market leaders, SFL designs top-of-the-line offices reflecting their own ambitious vision and standards.



- 1 Édouard VII
- 2 Washington Plaza
- 3 #cloud.paris
- 4 Cézanne Saint-Honoré
- 5 Condorcet
- 6 Rives de Seine
- 7 103 Grenelle
- 8 106 Haussmann
- 9 131 Wagram
- 10 90 Champs-Élysées
- 11 Galerie Champs-Élysées
- 12 92 Champs-Élysées
- 13 9 Percier
- 14 112 Wagram
- 15 6 Hanovre
- 16 176 Charles de Gaulle
- 17 Le Vaisseau
- 18 Louvre Saint-Honoré
- 19 83 Marceau
- 20 Biome

Finance Insurance	Law Firms Consultancies	Manufacturers	Real Estate Companies
AG2R LA MONDIALE	ashurst	Constellium	CBRE
交通銀行 BANK OF COMMUNICATIONS	Bird & Bird	COTY	KLEPIERRE
CANDRIAM INVESTORS GROUP	FINASTRA	FONDATION EDF	QUARTUS ET LA VILLE DE PARIS
EXANE	Freshfields	GRDF	SwissLife Asset Managers
NATIXIS	McKinsey&Company	LXOTICA	
WELLS FARGO		Mylan	
Digital/Media Companies	Fashion Houses	Other	
BlaBlaCar	BOSS 1903 2003	M	
facebook	Calvin Klein	L'OCCITANE EN PROVENCE	
Lagardère	FAST RETAILING	PIERRE PERMÉ	
TVSMONDE	H&M	L'OLYMPIA BRUNO MAGLI	
	ZARA	wework	



92 Champs-Élysées,
Paris 8

Experts in Parisian office buildings

Backed by fully integrated capabilities, an inquisitive, inquiring mindset, in-depth understanding of the challenges faced by the city and its tenants and intimate proficiency in the workings of each and every asset, SFL demonstrates expertise across its portfolio's value chain.

Setting the prime office market's standard of excellence demands extremely detailed knowledge and understanding of the expectations of your tenants and your environment. As an expert in prime Paris office real estate, SFL nurtures relationships based on communication, care and trust with all its stakeholders, including partner architects, designers and landscapers, Parisian heritage and urban planning authorities, contractors and tenants. Thanks to this mindset and deep-rooted community presence, SFL understands all the requirements and specific features of its market, both in capillary detail and as a whole. This is why SFL has integrated specialised capabilities in every aspect of the office property business, from asset search and transformation (structure, floor plates, purposes, layouts) to resale. Our organisation, based on a people-centric, collective intelligence model, enables us to offer tenants beautiful, well-designed, technically elegant offices that are seamlessly integrated into the existing urban landscape

3 core competencies

Investment/Portfolio Management Division
Capabilities involved in the process of creating value across an asset's life cycle in the portfolio (legal, property, technical and financial due diligence, acquisition, transformation, divestment).

Asset Management Division
Tenant support, 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.

Highlights



AMENITIES

Washington Plaza

A shining symbol of value creation

2018 marked a turning point for Washington Plaza. With new units let during the year and a close to 100% occupancy rate, the business centre has moved upscale following the creation of a suite of amenities aligned with tenant expectations. Now boasting a fitness room, a wellness space, a concierge office and modular meeting rooms, Washington Plaza has become a stunning laboratory of SFL innovation and success in amenities and services.

FINANCING

Robust investment capabilities

In May 2018, SFL issued €500 million in seven-year, 1.50% bonds and arranged a €300 million negotiable European commercial paper (NEU CP) programme. This reduced the average cost of debt to 1.5%, while extending the average maturity to 4.6 years. At year-end, SFL also had €920 million in undrawn lines of credit, thereby securing significant funding should investment opportunities arise.



DEVELOPMENT

83 Marceau

A new architectural and environmental identity

83 Marceau is an iconic asset in the SFL portfolio, not only because of its size (close to 10,000 sq.m.) but also because of its remarkable location just minutes away from Place de l'Etoile. The project to transform the seventies-era building has been shaped by an extremely contemporary reading of its new shell. The architect, Dominique Perrault, has taken an in-depth approach to revitalizing the building's infrastructure, while creating a "fifth façade" with a rooftop open to the city and the neighbourhood. Work began in late 2018, with delivery scheduled for 2021.

Biome

A new business centre in the heart of the 15th *arrondissement*

Acquired by SFL in 2017, the former SMA head office is a very large asset, whose 25,000 sq.m of office space is a rarity in Paris. That's why SFL is thinking big, with triple environmental certification, the construction of two new buildings and the creation of an exo-structure. The transformation project is already under way, with removal of the façades and cleaning of the premises. Led by architect firms Jouin-Manku and YMA, the complex will feature ambitious, multi-purpose facilities, including a shared business centre, a wide range of premium amenities, coworking spaces, residential units, a landscaped roof top and a lush garden – everything it needs to participate in the renewed appeal of the very lively 15th *arrondissement*.

LEASING

The portfolio's EPRA vacancy rate declined for the fourth consecutive year in 2018, to a historically low 1.6% at 31 December.

sq. m.

21,000
LEASED

€ m

15.1
RENTS

€/sq. m.

704
AVERAGE
NOMINAL RENT

%

96

of occupants

SAID THEY WERE SATISFIED OR VERY SATISFIED TO WORK AT WASHINGTON PLAZA

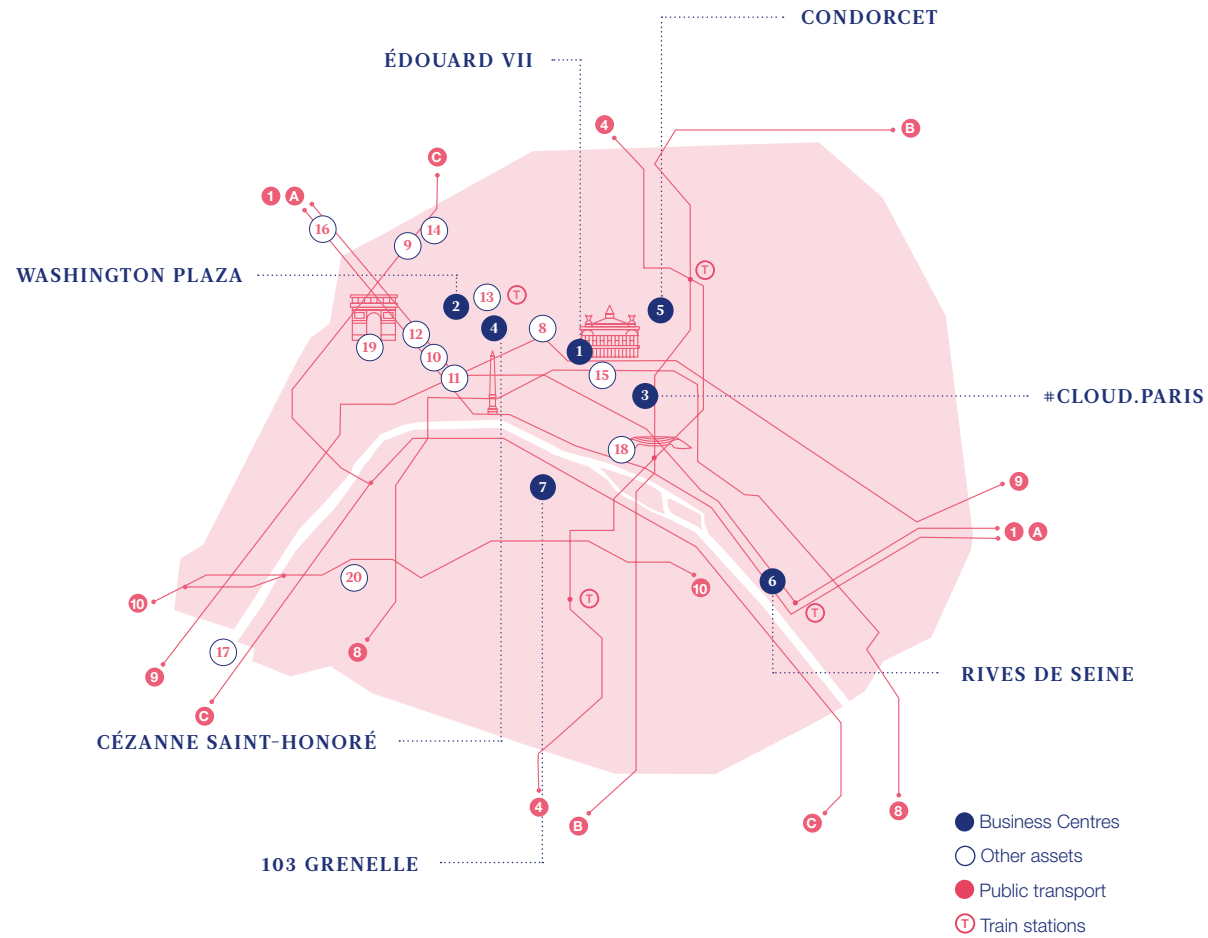
PORTFOLIO

WITH ITS PORTFOLIO OF 20 ASSETS IN PARIS - OF WHICH 18 IN THE CITY ITSELF - SFL IS THE LEADING PRIME PARISIAN OFFICE PROPERTY COMPANY.

Galerie Champs-Élysées, Paris 8



Business Centres



SFL business centres are total living and working environments, dedicated to the performance of their tenant companies. Comfortable amenities and the art of work-life integration have been reinvented, in resonance with the expectations of modern companies, for which workplace well-being is a key selection criterion.



1 ÉDOUARD VII

16-30, boulevard des Capucines,
75009 Paris

- Year of acquisition: 1999
- Main tenants: Ashurst, Bird&Bird, Klépierre, l'Olympia and Boulanger
- Surface area: 54,100 sq.m.
- Certification: BREEAM 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. Following on from the installation of colourful rue Édouard VII store façades, which instilled a modern, attractive feel to the entire complex, a programme to replant the interior courtyards and upgrade the passages was undertaken in late 2018 to support the business centre's move upmarket.



2

WASHINGTON PLAZA

📍
38-44, rue Washington,
75008 Paris

- Year of acquisition: 2000
- Main tenants: Candriam, Lagardère and Finastra
- Surface area: 47,000 sq.m.
- Certification: BREEAM 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. In 2018, the building inaugurated a new suite of tenant amenities, including concierge services, a fitness centre, flexible meeting rooms and break rooms.



3

#CLOUD.PARIS

📍
81-83, rue de Richelieu,
75002 Paris

- Year of acquisition: 2004
- Tenants: BlaBlaCar, Coty, Exane and Facebook
- 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 Facebook, 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

CÉZANNE SAINT-HONORÉ

📍
1-6, rue Paul Cézanne,
75008 Paris

- Years of acquisition: 2001 and 2007
- Main tenants: Freshfields, LEK, KBL Richelieu and Quartus
- 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.



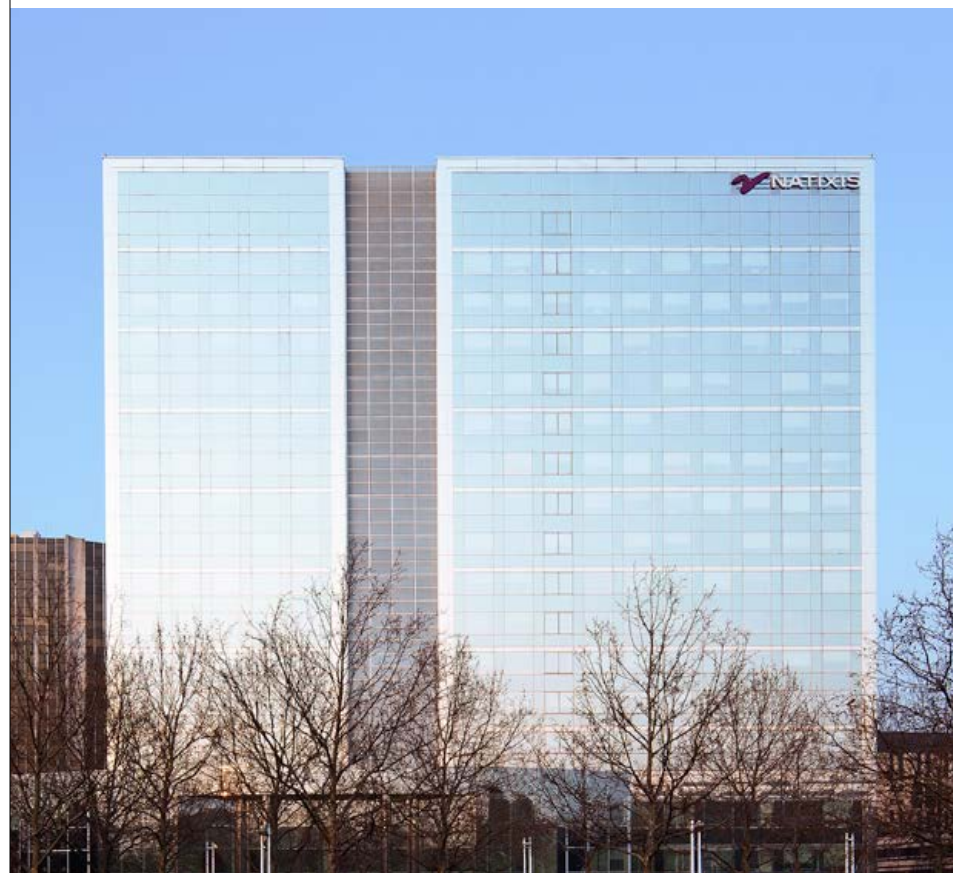
5

CONDORCET

 4-8, rue Condorcet,
75009 Paris

- Year of acquisition: 2014
- Tenant: GrDF
- 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.



6

RIVES DE SEINE

 68-74, quai de la Râpée,
75012 Paris

- Year of acquisition: 2004
- Tenant: Natixis
- Surface area: 22,700 sq.m.
- Certification: BREEAM 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.



7

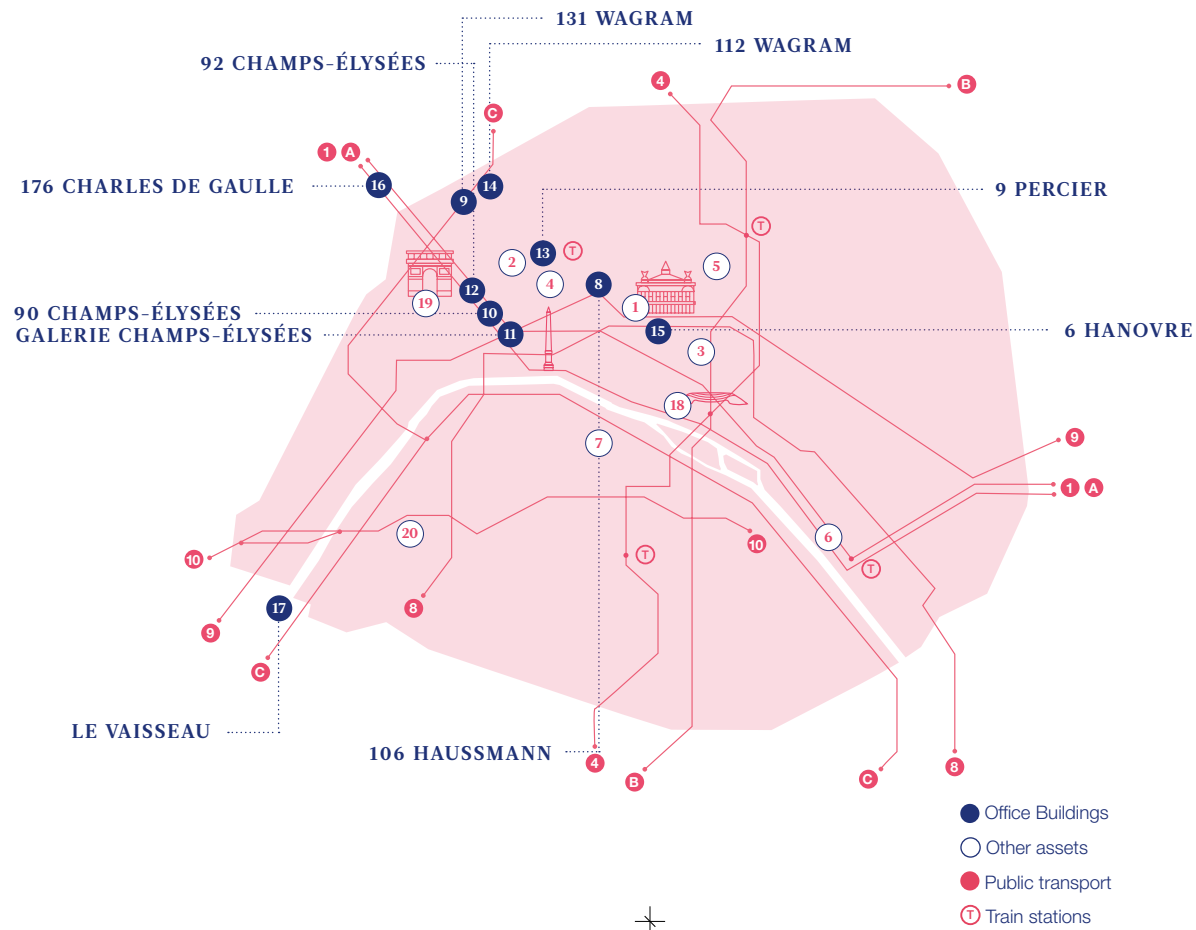
103 GRENELLE

 103, rue de Grenelle,
75007 Paris

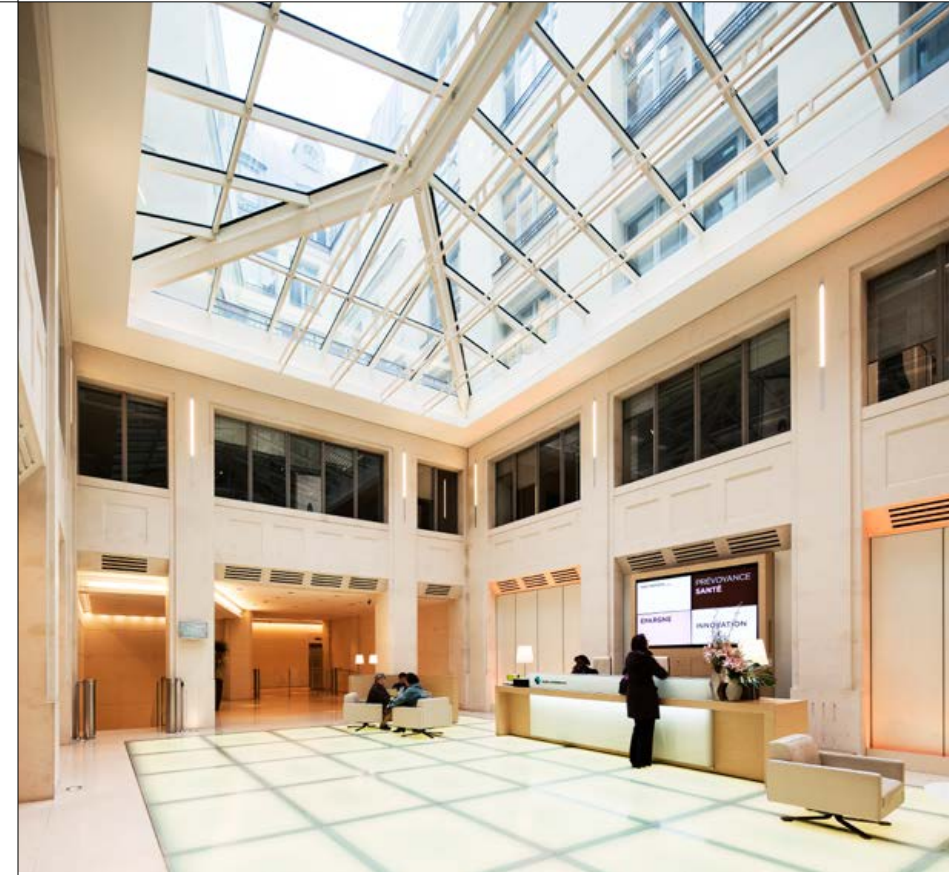
- Year of acquisition: 2006
- Main tenants: Amiral Gestion, Calvin Klein, ESMA, Molotov TV, Regus and Shinsegae
- Surface area: 18,900 sq.m.
- Certifications: HQE®, BREEAM In-Use

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.

Office Buildings



Whether character buildings, one-of-a-kind properties or former mansions, SFL's office buildings offer tenants an outstanding workplace environment. They provide an alternative to large business centres, while retaining a range of prime, people-friendly amenities.

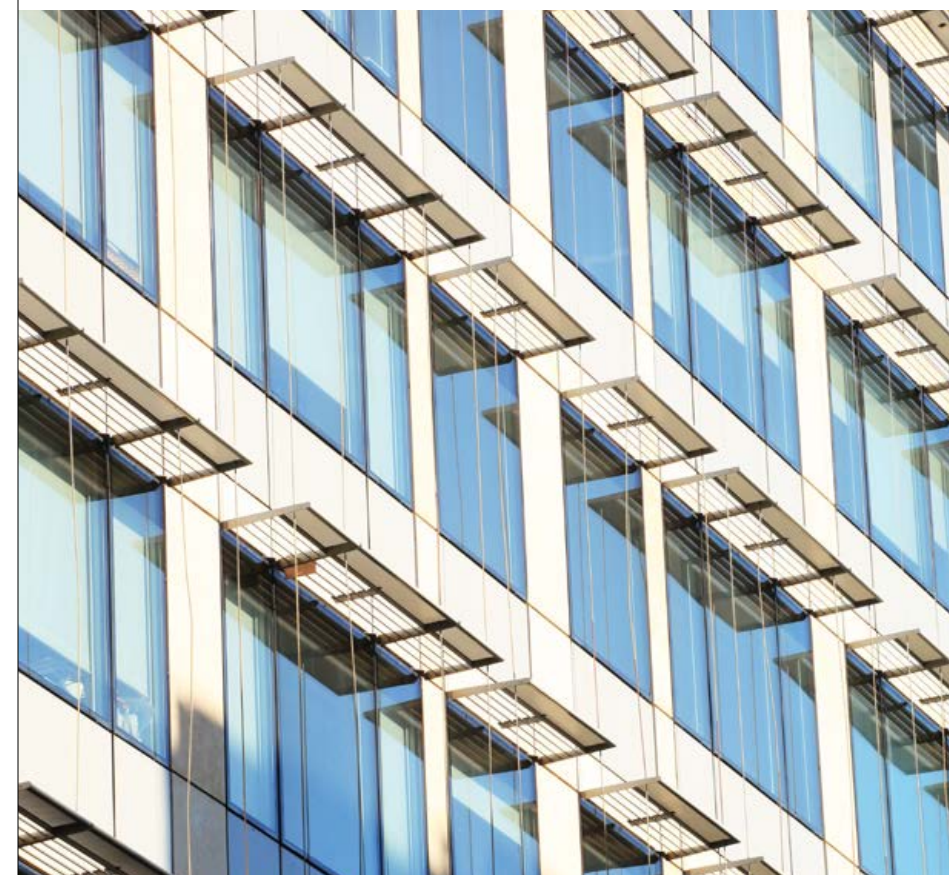


8 106 HAUSSMANN

104-110, boulevard Haussmann, 75008 Paris

- Years of acquisition: 2002 and 2004
- Main tenant: AG2R La Mondiale
- 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.



9 131 WAGRAM

131, avenue de Wagram, 75017 Paris

- Year of acquisition: 1999
- Tenants: CBRE, TV5 Monde
- 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 floor plates of around 800 sq.m. each, with flexible layouts, along with an auditorium and a staff restaurant.



10

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
- 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 Haussman-inspired 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.



12

92 CHAMPS-ÉLYSÉES



92, avenue des Champs-Élysées,
75008 Paris

- Year of acquisition: 2000
- Main tenants: WeWork and Zara
- 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.



11

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 and Paul
- 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. The property has regained its sleek, elegant and eye-catching looks following a complete redesign by Jean Nouvel. In late 2017, the arcade's 86 Champs-Élysées address became home to the new concept store developed by L'Occitane and Pierre Hermé.



13

9 PERCIER



9, avenue Percier,
75008 Paris

- Year of acquisition: 2015
- Main tenants: EDF Foundation, Helvetia, Arp Astrance
- Surface area: 6,700 sq.m.
- Certification: BREEAM 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.



14

112 WAGRAM



108-112, avenue de Wagram,
75017 Paris

- Year of acquisition: 2008, purchased off plan
- Main tenant: Zurich France
- 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.



16

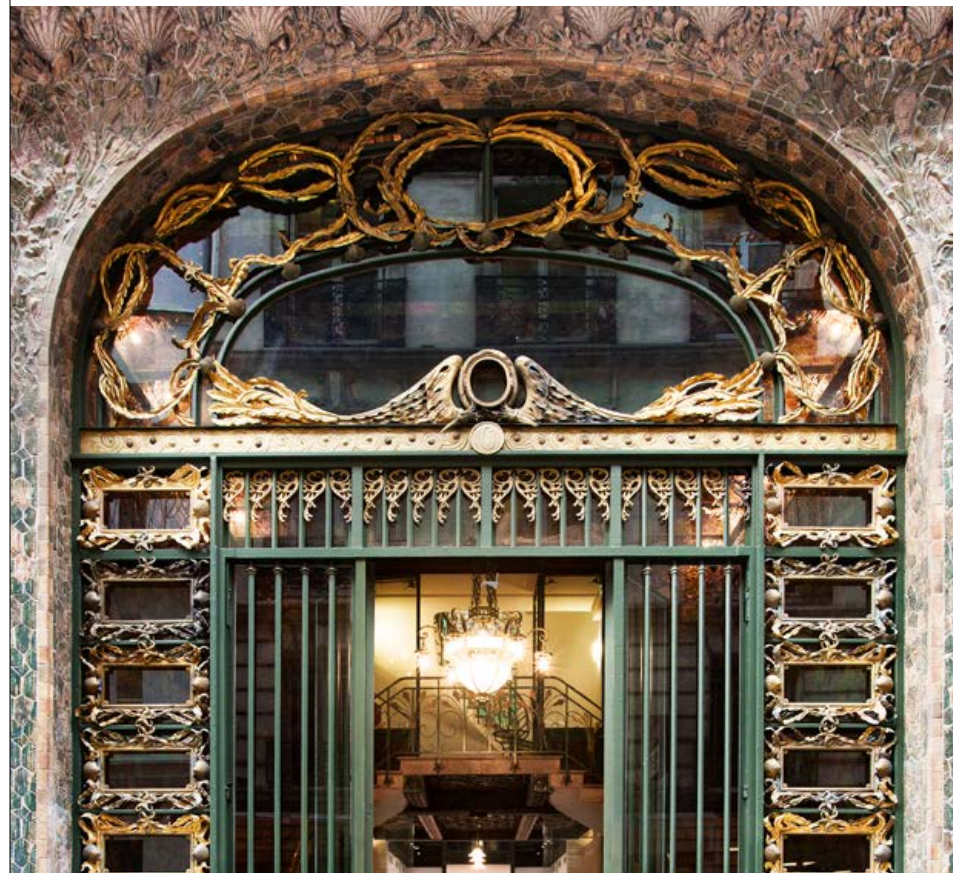
176 CHARLES DE GAULLE



176, avenue Charles de Gaulle,
92200 Neuilly-sur-Seine

- Year of acquisition: 1997
- Main tenants: Hudson and Sacem
- 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.



15

6 HANOVRE



6, rue de Hanovre,
75002 Paris

- Year of acquisition: 1958
- Tenant: Pretty Simple
- Surface area: 4,600 sq.m.
- Certification: BREEAM 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.



17

LE VAISSEAU

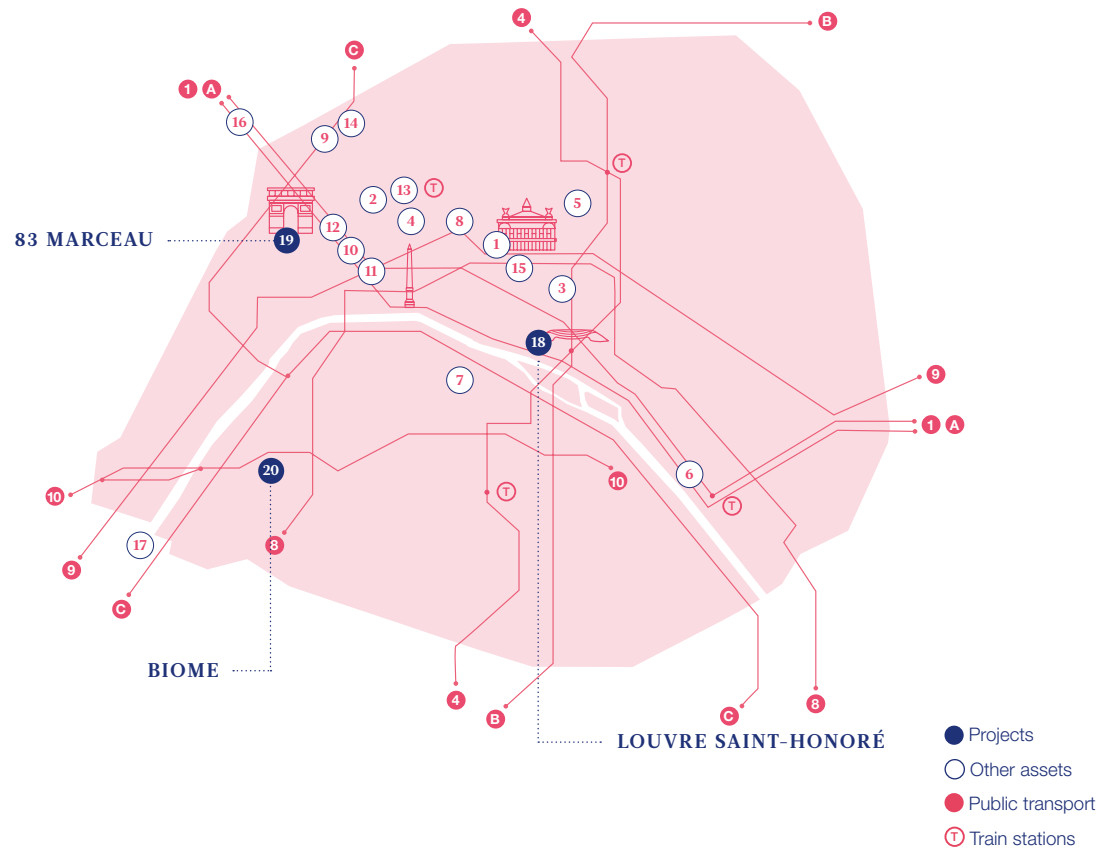


2, allée des Molineaux,
92130 Issy-les-Moulineaux

- Year of acquisition: 2006
- 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.

Projects



+

SFL is currently developing three major projects, each of which is designed to become the undisputed benchmark in its segment.

+



18

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
- 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.



19

83 MARCEAU



96, avenue d'Iéna,
75016 Paris

- Years of acquisition: 2001 and 2007
- Planned surface area: 9,600 sq.m.
- Certification: BREEAM In-Use

With an exceptional location right beside Place de l'Étoile, 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 way to transform the building from top to bottom, with highly flexible and efficient 1,000 sq.m. floor plates, a central atrium opening onto a patio bathed in natural light, and new amenities, such as a cafeteria, a public-access business centre, a lounge and a landscaped garden. Delivery scheduled for second quarter 2021.



20

BIOME



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

- Year of acquisition: 2017
- Planned surface area: 24,500 sq.m.

Biome 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. Delivery scheduled for second-half 2021.

PER FOR MAN CE

IN 2018, SFL FURTHER STRENGTHENED ITS FINANCIAL PERFORMANCE, WITH ROBUST RESULTS THAT ROSE FOR THE FOURTH CONSECUTIVE YEAR.

103 Grenelle,
Paris 7



Leasing

The rental market remained vibrant and buoyant in 2018, with 2.5 million sq.m. leased in the greater Paris area during the year.

Corporate demand remained strong during the year, particularly in the West Central Paris and Western Crescent districts and for new or redeveloped properties. As a result, the stock of available office space further declined, to less than 3 million sq.m in greater Paris, where the year-end vacancy rate of 5.1% was the lowest since 2009. Supply is scarce in West Central Paris, with a historically low vacancy rate of 1.8%.

In this environment, SFL signed leases on around 21,000 sq.m. of space on very good terms in 2018, in particular in the following assets:

- Washington Plaza, with leases on a total of 8,700 sq.m. signed with six tenants, some of whom already had offices in the building and wanted to expand or move to new floors,
- Cézanne Saint-Honoré, with leases signed on 5,800 sq.m., including 3,800 sq.m. of renovated space taken up by Wells Fargo and Luxottica France,
- Louvre Saint-Honoré, with leases signed on around 3,600 sq.m.

Nominal office rents for leases signed in 2018 averaged €704 per sq.m., with effective rents averaging €610 per sq.m. for an average non-cancellable term of six years, demonstrating the quality of SFL's buildings.

The physical occupancy rate for revenue-generating properties continued to rise over the year, to 97.3% at 31 December 2018 from 96.4% a year earlier. The EPRA vacancy rate fell to a historically low 1.6% from 3.1% at year-end 2017, further illustrating the excellent appeal of the SFL portfolio and the Group's ability to maintain full occupancy of its revenue generating properties.

% — **97.3**

PHYSICAL
OCCUPANCY RATE

% — **1.6**

EPRA VACANCY RATE

Development

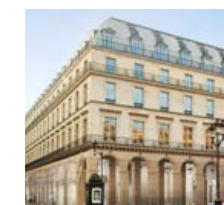
Properties undergoing development represented roughly 16% of the total portfolio at 31 December 2018.

The three main projects primarily concern:

- the core of the Louvre Saint-Honoré building, where approximately 16,000 sq.m. of outstanding retail space is being developed over three floors,
- the Biome office complex on avenue Emile Zola acquired in 2017, representing some 24,500 sq.m. The building permit was obtained in May 2018 and the property is being prepared for renovation work,
- the 83 Marceau building, representing approximately 9,600 sq.m. The building permit appeal process has now ended and renovation work is due to begin shortly.

Once these large-scale redevelopment projects are completed, they will enable SFL to deliver superior quality buildings embodying its value creation strategy.

Capitalised work carried out in 2018 totalled €43.0 million and concerned the above three redevelopment projects, renovations of re-leased floors, and work to improve common areas and enhance the amenities on offer.



Rental Income

Consolidated rental income in 2018 amounted to €193.5 million, down by a modest €2.3 million or 1.2% from the €195.8 million reported for 2017. Like-for-like growth stood at 5% for the year, offsetting almost all of the impact of selling the In/Out property in September 2017.

€ m

193.5

IN CONSOLIDATED
RENTAL INCOME

%

+5.0

ON A LIKE-FOR-LIKE
BASIS

On a like-for-like basis (excluding all changes in the portfolio affecting year-on-year comparisons), rental income was €8.7 million higher, representing a 5.0% increase attributable to the new leases signed in 2017 and 2018, mainly for units in the Washington Plaza, Cézanne Saint-Honoré, 103 Grenelle and Galerie Champs-Élysées properties.

Rental income from spaces being redeveloped declined by €1.4 million over the year, mainly reflecting the departure of all of the tenants from the 83 Marceau building, for which renovation work has begun.

The sale of the In/Out building on 29 September 2017 led to a €9.7 million decrease in rental income compared with 2017.

Lastly, lease termination penalties received from tenants added a net €0.7 million to rental income in 2018, compared with €0.5 million in 2017.

EBITDA ANALYSIS BY PROPERTY (in € millions)

Building	2018	2017	2016
Édouard VII	27.7	28.8	27.7
Washington Plaza	24.1	21.5	21.4
#cloud.paris	17.0	16.3	16.6
Cézanne Saint-Honoré	16.6	12.6	14.0
Louvre Saint-Honoré	14.6	14.7	13.2
Galerie Champs-Élysées	12.3	11.6	11.4
92 Champs-Élysées	10.7	8.8	10.5
Rives de Seine	10.5	10.3	10.3
Condorcet	9.9	9.6	9.2
106 Haussmann	9.6	9.5	9.6
103 Grenelle	9.6	8.5	9.1
90 Champs-Élysées	6.9	6.8	6.7
131 Wagram	4.7	4.0	4.1
112 Wagram	3.2	3.1	3.2
176 Charles de Gaulle	3.2	2.9	2.8
9 Percier	2.9	2.5	1.2
83 Marceau	1.5	4.2	4.2
6 Hanovre	1.4	1.4	1.3
In/Out	-	9.7	13.0
Biome	0.0	0.0	-
Le Vaisseau	(0.7)	(0.6)	0.0
Properties in the portfolio at 31 December	185.6	186.3	189.4
Corporate overheads and other expenses	(20.6)	(22.6)	(18.2)
TOTAL EBITDA	165.0	163.7	171.2

Property Portfolio and NAV

The consolidated portfolio value at 31 December 2018 was €6,570 million, excluding transfer costs. The estimated replacement value, including transfer costs, was €7,005 million.

sq. m.

392,300

TOTAL SURFACE AREA

€ bn

6.6

PORTFOLIO VALUE
excluding transfer costs

€

86.3

EPRA NNNAV PER SHARE

The portfolio value increased by 5.5% compared with 31 December 2017, without any changes in the portfolio during the year.

In an environment where yields remained stable, this further increase in appraisal values primarily stemmed from the robust leasing performance and the improvement in market rents, as well as the smooth progress made on redevelopment projects over the year.

EPRA NNNAV stood at €4,017 million or €86.3 per share at 31 December 2018, an increase of 7.7% compared with €80.1 per share at 31 December 2017.

EPRA NAV rose by 6.5% year-on-year, to €89.0 per share.

NET ASSET VALUE (in € millions)

	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
Equity	4,010	3,763	3,123
Treasury shares and stock options	10	11	14
Unrealised capital gains	19	17	16
Elimination of financial instruments at fair value	0	(1)	0
Elimination of deferred taxes	103	99	81
EPRA NAV	4,142	3,889	3,234
/share	€89.0	€83.6	€69.5
Financial instruments at fair value	0	1	0
Fixed-rate debt at fair value	(22)	(63)	(71)
Deferred taxes	(103)	(99)	(81)
EPRA NNNAV	4,017	3,729	3,082
/share	€86.3	€80.1	€66.2
Shares outstanding (thousands)	46,529	46,529	46,529

Financial Performance

In 2018, SFL's business indicators were very robust, with further like-for-like growth in rental income and historically high EPRA earnings, led by excellent occupancy rates across the portfolio and a steady decline in finance costs.

€ m

193.5

IN RENTAL INCOME

up 5.0% like-for-like vs. 2017

€ m

351.6

ATTRIBUTABLE NET PROFIT

€ m

106.7

EPRA EARNINGS

up 4.1% vs. 2017

Consolidated rental income in 2018 amounted to €193.5 million, down by a modest €2.3 million or 1.2% from the €195.8 million reported for 2017 as like-for-like growth offset almost all of the impact of selling the In/Out property in September 2017.

Operating profit before disposal gains and losses and fair value adjustments to investment property amounted to €162.1 million in 2018 versus €164.1 million in 2017.

The portfolio's appraisal value grew by 5.5% over the year on a like-for-like basis. The increase led to the recognition of positive fair value adjustments to investment property of €289.0 million in 2018 (versus €635.1 million in 2017).

Net finance costs rose to €52.0 million from €40.7 million in 2017 due to non-recurring costs, particularly the €17.2 million balancing payment made in respect of the €300 million worth of bonds bought back in September 2018. Recurring finance costs, which came to €30.6 million, were down by a significant €10.7 million over the year, reflecting a further improvement in average refinancing costs and a reduction in average debt.

Excluding the impact of disposals, changes in fair value of investment property and financial instruments and the related tax effect, EPRA earnings amounted to €106.7 million in 2018, up 4.1% from €102.4 million the year before.

Profit for the year stood at €384.6 million, of which €351.6 million was attributable to Group shareholders.

EPRA EARNINGS (in € millions)

	2018		2017		2016	
	EPRA	Non-recurring	EPRA	Non-recurring	EPRA	Non-recurring
Rental income	193.5	0	195.8	0	198.1	0
Property expenses, net of recoveries	(10.8)	0	(10.9)	0	(10.5)	0
Net property rentals	182.7	0	184.9	0	187.6	0
Service and other revenues	4.0	0	2.2	0	2.9	0
Depreciation, amortisation and impairment	(2.9)	0	0.3	0	(1.6)	0
Employee benefits expense and other expenses	(21.8)	0	(20.4)	(3.0)	(19.2)	0
Operating profit before disposals and fair value adjustments	162.1	0	167.0	(3.0)	169.7	0
Profit on asset disposals	0	0	0	80.3	0	0
Fair value adjustments on investment property	0	289.0	0	635.1	0	438.0
Finance costs and other financial income and expense	(30.6)	(21.4)	(41.2)	0.6	(46.0)	(2.1)
Income tax	(9.2)	(5.3)	(9.2)	(33.3)	(8.3)	11.6
Profit for the year	122.4	262.3	116.6	679.7	115.3	447.6
Non-controlling interests	(15.7)	(17.3)	(14.2)	(96.8)	(14.4)	(44.4)
Attributable net profit	106.7	245.0	102.4	582.9	100.9	403.2
EPRA earnings per share	€2.29		€2.20		€2.17	

Financing

Several significant financial transactions were completed in 2018, as part of SFL's strategy of actively managing its debt. Together, they led to a noticeable reduction in future average borrowing costs while extending the average maturity of the Company's debt.

years

4.6

AVERAGE MATURITY

%

1.5

AVERAGE SPOT COST
(AFTER HEDGING)

%

24.1

LOAN-TO-VALUE

BBB+/A2

WITH A STABLE OUTLOOK

S&P rating

During the year, SFL issued €500 million worth of seven-year, 1.50% bonds due 29 May 2025 and obtained two new five-year bilateral revolving lines of credit for a total of €250 million.

In addition, a €300 million negotiable European commercial paper (NEU CP) programme was set up, with issuance under the programme amounting to €263 million at 31 December 2018. In parallel, an offer was launched to buy back two bond issues due in November 2021 and November 2022, respectively. At the end of the offer period, on 26 September 2018, bonds with an aggregate face value of €300 million had been tendered to the offer, spread equally between the two issues.

At 31 December 2018, consolidated net debt totalled €1,688 million, representing a loan-to-value ratio of 24.1%. It had an average maturity of 4.6 years and an average spot cost after hedging of 1.5%, down from the year-earlier level. At the same date, the interest coverage ratio (ICR) stood at 5.1x.

SFL also has €920 million in confirmed lines of credit that are currently unused but could be drawn at any time.

DEBT STRUCTURE (in € millions)

	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016
Bonds	1,200	1,000	1,301
Bank loans	50	444	445
Mortgage loans	201	203	205
NEU CP	263	-	-
Total debt	1,714	1,647	1,951
Cash and cash equivalents	25	16	20
Net debt	1,688	1,631	1,931
Undrawn lines of credit	920	760	540
Property portfolio including transfer costs	7,005	6,619	6,092
Loan-to-value	24.1%	24.6%	31.7%
Interest cover ratio	5.1x	4.0x	3.7x
Average maturity (years)	4.6	4.5	4.4
Average spot cost (after hedging)	1.5%	1.7%	1.9%

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)	2018	2017	2016
EPRA Earnings	106.7	102.4	100.9
/ share	€2.3	€2.2	€2.2
EPRA NAV	4,142	3,889	3,234
/ share	€89.0	€83.6	€69.5
EPRA NNAV	4,017	3,729	3,082
/ share	€86.3	€80.1	€66.2

(%)	2018	2017	2016
EPRA Net Initial Yield	2.8%	2.8%	2.9%
EPRA "Topped-Up" Net Initial Yield	3.2%	3.2%	3.6%
EPRA Vacancy rate ⁽¹⁾	1.6%	3.1%	3.1%
EPRA Cost Ratio (incl. vacancy costs)	14.2%	13.6%	12.9%
EPRA Cost Ratio (excl. vacancy costs)	13.0%	12.2%	11.1%

(1) Group share



EPRA EARNINGS (in € millions)

	2018	2017	2016
Attributable net profit	351.6	685.3	504.1
Less:			
Profit (loss) on disposals	-	(80.3)	-
Non-recurring disposal costs	-	3.0	-
Fair value adjustments on investment property	(289.0)	(635.1)	(438.0)
Fair value adjustments on financial instruments, discounting adjustments to debt and related costs	21.4	(0.6)	2.1
Tax on the above items	5.3	33.3	(11.6)
Non-controlling interests in the above items	17.3	96.8	44.3
EPRA earnings	106.7	102.4	100.9

EPRA NAV/EPRA NNAV - see the Statement of Net Asset Value on page 57.

EPRA NET INITIAL YIELD/EPRA TOPPED-UP NIY (in € millions)

	2018	2017	2016
Portfolio value excluding transfer costs	6,570	6,229	5,736
Less: developments	(664)	(421)	(313)
Portfolio value excluding transfer costs, less developments	5,906	5,808	5,423
Transfer costs on property portfolio	405	370	332
Portfolio value including transfer costs, less developments (B)	6,311	6,178	5,755
Annualised cash rents	183	179	170
Irrecoverable property expenses	(3)	(4)	(3)
Annualised net rental income (excluding rent-free periods) (A)	180	175	167
Plus: rent-free periods and other lease incentives	22	24	41
Annualised net rental income (C)	201	199	208
EPRA NIY (A/B)	2.8%	2.8%	2.9%
EPRA Topped-Up NIY (C/B)	3.2%	3.2%	3.6%

EPRA COST RATIOS (in € millions)

	2018	2017	2016
Corporate expenses	21.8	23.3	19.2
Net service charges	10.8	10.9	10.5
Less: managed facility expenses	(6.6)	(6.0)	(5.3)
Less: employee divestment gains sharing	-	(3.0)	-
EPRA costs (including vacancy costs) (A)	25.9	25.3	24.5
Direct vacancy costs	2.3	2.7	3.5
EPRA costs (excluding vacancy costs) (B)	23.7	22.6	21.1
Gross rents	193.5	195.8	198.1
Less: facility management revenues	(10.9)	(10.5)	(8.7)
Gross rental income (C)	182.6	185.3	189.4
EPRA Cost Ratio (including direct vacancy costs) (A/C)	14.2%	13.6%	12.9%
EPRA Cost Ratio (excluding direct vacancy costs) (B/C)	13.0%	12.2%	11.1%

Investor Information

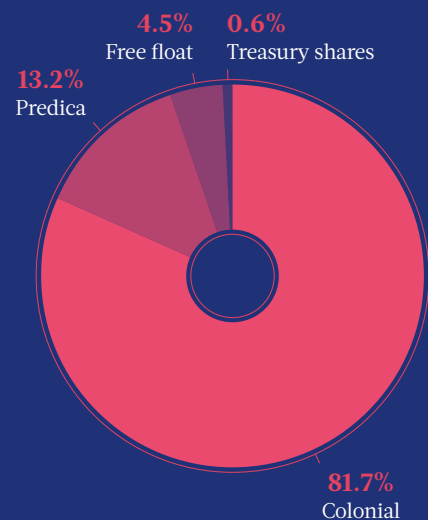
The SFL share ended the year at €60.80, representing an 11.3% gain on the 2017 closing price of €54.61, a significant outperformance in sector terms.

Over the same period, the EPRA Europe index declined by 11.2% and the CAC 40 index lost 11.0%.

Trading volumes declined over the year, at an average 2,142 shares or €129,000 per day.

In May 2018, SFL paid an annual dividend of €2.30 per share. The Board of Directors will recommend that shareholders at the Annual General Meeting on 5 April 2019 approve the payment in cash of a dividend of €2.65 per share for the year.

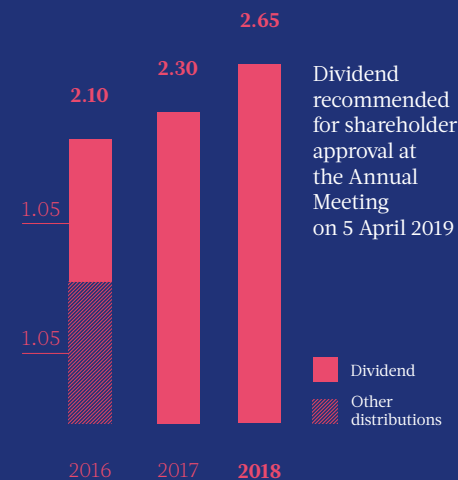
SFL OWNERSHIP STRUCTURE at 31 December 2018 (46.5 million shares)



In a cash and share transaction completed in November 2018, Colonial acquired approximately 22.2% of SFL's capital from Qatar-based funds DIC Holding and Qatar Holding for an average price of €69.58 per share. The cash portion (€73 per share), represented around 5.99% of the capital, with the remaining portion paid for using Colonial shares.

The transaction took Colonial's stake in SFL's capital from 59% to approximately 81%.

DIVIDEND PER SHARE (€ per share)



2018 SHARE PERFORMANCE⁽¹⁾



11.3%

YEAR-ON-YEAR GAIN IN THE SHARE PRICE

(1) Base 100: 31 December 2017; data up to 31 December 2018. Source: Euronext/EPRA

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Biodiversity

P.24, P.25

As integral components of the urban ecosystem, SFL buildings offer a green vision of the office environment, with a variety of exterior developments bringing nature and green spaces to their doorsteps. Conducive to nurturing and maintaining local biodiversity, these courtyards, landscaped gardens, terraces and landscaped roofs are also one of SFL's major strengths in its commitment to environmental stewardship.

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Frame

P.23

For each building, SFL creates an intelligent, modular frame, equipped with high quality technical features (materials, fixtures, automated building management systems, etc.). This type of structure ensures that the building can be used sustainably, with highly flexible layouts, repurposing possibilities and longer life cycles. A good frame makes all sorts of transformations possible.

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Tenants

P.11, P.19, P.23, P.24, P.25, P.27, P.29, P.34 to 49

Tenants are the heart of SFL's business model. SFL listens carefully to companies and their employees, as well as to their business environment, so as to proactively anticipate their evolving needs and continue to respond precisely and effectively with just the right solutions. SFL supports its tenants over the long term.

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Design

P.9, P.23, P.24, P.25, P.29

The technical quality of the frame makes the building ultra-flexible as well as highly functional, efficient and durable. But a building is nothing without beauty. At SFL, architects, designers and landscapers are involved in every project, shaping each asset's identity to create offices that are iconic, innovative, complete and sophisticated.

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Sustainable

P.9, P.16, P.23, P.25

Founded in 1879, SFL is France's oldest real estate company. Over the years, it has kept pace with the times, ever evolving and reaching a pinnacle of innovation and modern sensibility that makes it a pioneer in contemporary architecture. Everyday, for more than a century, it has been providing solutions seamlessly aligned with its tenants' real estate needs by offering their employees prime, one-of-a-kind, certified, carefully managed, modular, efficient office buildings in highly sought-after locations.

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Paris

P.15, P.16, P.17, P.23, P.24, P.26, P.29, P.32, P.34, P.40, P.46, P.52

The city of Paris is SFL's preferred hunting ground. Paris is a city like no other, and it's here, in the heart of the capital's most vibrant, most attractive business districts, that SFL has chosen to enhance all the value of its buildings. These neighbourhoods are home to 99% of the portfolio, offering SFL tenants peerless working environments.

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Prime

P.11, P.14, P.16, P.19, P.23, P.26, P.29, P.32, P.40

Exclusively positioned in the prime Parisian commercial real estate market, SFL designs remarkably high quality office buildings with outstanding amenities for exceptional tenants. In this way, it embodies an innovative vision for office property in the heart of Paris.

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Amenities

P.5, P.7, P.9, P.11, P.30, P.31, P.40, P.53

At SFL, the prime nature of our assets is intrinsically linked to the notion of amenities and the tenant experience. Everything is designed and implemented to make life easier for building users by providing them with a more pleasant, more comfortable and more accessible working environment. Amenities and facilities for both business and private use are constantly being enhanced as SFL continues to innovate so that tenants can enjoy an outstanding experience in unique surroundings every day.

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Transformation

P.11, P.17, P.18, P.19, P.23, P.26, P.29, P.31

Pushing back limits, opening up, elevating, deconstructing, reviving unused spaces, remodelling the outer shell to make it a contemporary reading on the building's original spirit – in transforming its assets, SFL not only creates new value, it envisions new potentialities and new uses.

SFL

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

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