SOCIETE FONCIERE LYONNAISE

PRESS RELEASE

Paris, 15 October 2020

SFL - Third-Quarter 2020 Financial Information

Rental income: €137.7m

Consolidated revenue by business segment (€000's)

	2020 (9 months)	2019 (9 months)
Rental income	**137,667**	**149,070**
o/w Paris Central Business District	114,845	121,877
Paris Other	20,996	25,786
Western Crescent	1,826	1,407
Other revenue	0	0
Total consolidated revenue	**137,667**	**149,070**

Consolidated rental income for the first nine months of 2020 amounted to €137.7 million, down €11.4 million or 7.6% from the €149.1 million reported for the same period of 2019.

- On a like-for-like basis (excluding changes in consolidation scope affecting period-on-period comparisons), rental income contracted by €3.5 million. The 2.6% decline was due to the effects of the Covid-19 crisis, which led to rent holidays being granted to tenants of retail units and the closure of the Edouard VII and #cloud.paris conference centres as well as the Indigo hotel. Excluding the effects relating to the conference centres, the Indigo hotel and the Edouard VII car park, representing a reduction of €4.6 million in top-line rental income and of €2.8 million in net rental income, the like-for-like change in the top-line was a positive €1.1 million (0.8%).

- Rental income from units being redeveloped or renovated in the periods concerned was down by €4.7 million, due to the renovation of several floors that were vacated in late 2019 and early 2020, mainly in the 103 Grenelle and Edouard VII buildings.

- Lastly, period-on-period comparisons were adversely affected by the €3.2 million in income received from various penalties in 2019.

The rent recovery rate for the second and third quarters of 2020 currently stands at a very satisfactory 96% overall, and at 100% for office units. Negotiations are currently in progress with the remaining tenants that are behind with their rent, and agreements are imminent in the vast majority of cases.

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Business review

Despite the Covid-19 crisis, which triggered a 46% drop in the Paris region's rental market volume over the first nine months of 2020, the Group signed leases on around 18,000 sq.m. during the period, including 10,000 sq.m. of office space, on very good terms. They included the pre-letting of 85% of the 83 Marceau building which is currently being redeveloped and will be delivered in the second half of 2021.

The new office leases were signed at an average nominal rent of €867 per sq.m., corresponding to an effective rent of €754 per sq.m. These prices attest to the Paris rental market's resilience and the very high quality of the Group's properties.

The physical occupancy rate for revenue-generating properties stood at 94.7% at 30 September 2020 compared with 97.4% at 31 December 2019. The remaining vacant units mainly comprise 5,700 sq.m. of newly renovated offices in the 103 Grenelle building which have recently been delivered and the Le Vaisseau building in Issy-les-Moulineaux. The EPRA Vacancy Rate was 4.7% at 30 September 2020 versus 1.6% at 31 December 2019.

No properties were purchased or sold during the first nine months of 2020.

Financing

As part of its active debt management strategy, in early September SFL launched a tender offer on its two notes issues maturing in November 2021 and November 2022. The €160.7 million worth of notes tendered to the offer were retired, allowing SFL to reduce its future average borrowing costs and extend the average maturity of its debt.

SFL's consolidated net debt at 30 September 2020 amounted to €1,874 million, compared with €1,732 million at 31 December 2019, representing a loan-to-value ratio of 24.3% based on the portfolio's appraisal value at 30 June 2020. The average cost of debt after hedging was 1.5% and the average maturity was 4.7 years. At end-September 2020, the interest coverage ratio stood at 5.2x.

In addition, SFL had €1,040 million in undrawn lines of credit at 30 September 2020.

Management of the Covid-19 health crisis

From the onset of the crisis, SFL took all necessary measures to limit the pandemic's effects on its business and results:

- All the office buildings remained open and available for use by tenants and the necessary health protection measures deployed in the buildings' common areas were regularly updated to comply with successive government directives.
- The conference centres (Edouard VII and #cloud.paris) and the Indigo hotel (Edouard VII) that were closed during lockdown were re-opened in July, despite the very sluggish business environment.
- Government measures concerning very small businesses and small retail outlets were applied and tenant requests for help were managed on a case-by-case basis in order to provide them with the necessary support as far as possible, for example by allowing them to defer payment of their second quarter rent.
- Property leasing activities continued, keeping a close watch on the rental market.
- Agreements were signed with the general contractors working on the main redevelopment projects currently in progress.
- The Group's financial liquidity was strengthened.

To ensure business continuity while also protecting employees, all of SFL's teams worked from home during the lockdown and no employees were furloughed. Since the lockdown was lifted, they have been gradually returning to the office while benefiting from flexible office/home working arrangements.

SFL has also contributed to the collective effort to fight the pandemic by donating €550,000 to the Fondation de France's programmes in support of hospitals and health workers, medical research and assistance for vulnerable people.

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 €7.2 billion and is focused on the Central Business District of Paris (#cloud.paris, Edouard VII, Washington Plaza, etc.), and for the quality of its client portfolio, which is composed of prestigious companies in the consulting, media, digital, luxury, finance and insurance sectors. As France's oldest property company, SFL demonstrates year after year an unwavering commitment to its strategy focused on creating a high value in use for users and, ultimately, substantial appraisal values for its properties.

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

S&P rating: BBB+ stable outlook

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