Paris, 20 July 2023

SFL – First-Half 2023 Results

Rental income: €111.4m (up 13.7% as reported, up 10.1% like-for-like)
EPRA earnings: €53.2m (up 8.8%)
Portfolio value (excluding transfer costs): €7,909m (down 3.4% like-for-like)
Occupancy rate: 99.7% (100% occupancy for offices)
EPRA NTA: €98.7 per share (down 8.1%)
EPRA NDV: €98.5 per share (down 9.1%)

The interim consolidated financial statements for the six months ended 30 June 2023 were approved by the Board of Directors of Société Foncière Lyonnaise on 20 July 2023, at its meeting chaired by Pere Viňolas Serra.

The financial statements show strong growth in adjusted operating profit, resilient EPRA earnings and a record occupancy rate of 99.7%, attesting to the attractiveness of prime Paris office properties and the quality of SFL's business model.

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 2023	H1 2022	**Change**
Rental income	111.4	98.0	+13.7%
Adjusted operating profit*	97.2	78.1	+24.6%
Attributable net profit/(loss)	(177.5)	221.5	
EPRA earnings	53.2	48.9	+8.8%
per share	€1.24	€1.14	+8.8%

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

	30/06/2023	31/12/2022	**Change**
Attributable equity	4,020	4,379	-8.2%
Consolidated portfolio value excluding transfer costs	7,909	8,246	-4.1%
Consolidated portfolio value including transfer costs	8,449	8,823	-4.2%
EPRA NTA	4,233	4,603	-8.0%
per share	€98.7	€107.4	-8.1%
EPRA NDV	4,225	4,644	-9.0%
per share	€98.5	€108.3	-9.1%

SOCIETE FONCIERE LYONNAISE

Strong revenue growth despite an uncertain environment

<u>Rental income</u> up 10.1% like-for-like

Consolidated rental income rose by a strong €13.4 million (up 13.7%) to €111.4 million for first-half 2023 from €98.0 million for the same period of 2022.

- **On a like-for-like basis** (revenue-generating properties, excluding all changes in the portfolio affecting period-on-period comparisons), **rental income was €8.4 million higher (up 10.1%)**. Application of rent escalation clauses contributed €3.9 million to the increase. However, the main growth driver was the improved occupancy rate for revenue-generating properties, following the signature of new leases in 2022 and 2023 (with long-standing tenants or new clients such as Balenciaga, Promontoria, Atalante, Ovelo and Infravia), leading to significant increases in rental income from the Edouard VII, Washington Plaza and 103 Grenelle buildings in particular.

- **Rental income from spaces being redeveloped rose by a net €0.4 million, reflecting:**

    - **An increase of €9.0 million**, due in particular to (i) the contribution over the entire first half of revenues from the Biome building (delivered in July 2022 following its complete restructuring and fully let from the end of 2022 to La Banque Postale and SFIL), and (ii) new leases signed on several floors renovated in 2022 and/or 2023, mainly in the Cézanne Saint-Honoré building (Wendel, LRT, Lincoln International and Patrick Jouin).

    - **A decrease of €8.6 million**, with part of the retail space in the Galerie des Champs-Elysées (former H&M store) vacated during 2022, and the Scope building (formerly Rives de Seine) previously let to Natixis vacated at the end of September 2022.

- **Lastly, the acquisition of the Pasteur building in April 2022 generated a significant increase in rental income,** partly reduced by the impact of Pretty Simple's October 2022 departure from the 6 Hanovre building, which was sold in April 2023. Together, these movements had a positive net impact on rental income of **€4.6 million**.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €97.2 million in first-half 2023 versus €78.1 million in the year-earlier period, a sharp 24.6% increase.

Very resilient portfolio appraisal values despite the uncertain environment and higher interest rates

The portfolio's appraisal value at 30 June 2023 was down 3.4% like-for-like compared to 31 December 2022, leading to negative fair value adjustments to investment property of €327.8 million in first-half 2023. In first-half 2022, fair value adjustments represented a positive amount of €205.4 million.
The higher capitalisation rates (35 bps on average) and discount rates (40 bps on average) were partly offset by the visible effects of rent escalation clauses and rising rental values in Paris for the best assets.

Net profit/(loss)

Net finance costs stood at €26.1 million in first-half 2023, versus €13.8 million in the same period of 2022, representing an increase of €12.3 million. Excluding non-recurring items, the increase was €11.7 million, reflecting the impact on recurring finance costs of higher interest rates and the increase in average debt.

After taking account of these key items, EPRA earnings totalled €53.2 million in first-half 2023, compared to €48.9 million in the same period of 2022.
EPRA earnings per share stood at €1.24 in first-half 2023, up 8.8% from €1.14 in the same period of 2022.
The Group ended the period with an attributable net loss of €177.5 million, versus a profit of €221.5 million in first-half 2022.

Occupancy rate at a record high 99.7%

First-half 2023 was a period of sustained letting activity, with new leases signed with existing tenants as well as new tenants leading to a record 99.7% physical occupancy rate.
After a year shaped by a deteriorating geopolitical and economic situation, in first-half 2023 the Paris office rental market became more selective, with prime assets and those in the best locations being the most in demand. In this environment, the Group signed leases on some 29,000 sq.m. of mainly office space during the period. Lease deals mainly concerned:

- 131 Wagram, with the TV5 Monde lease on 7,200 sq.m. of office space rolled over for 12 years;
- #cloud.paris, with a new lease signed with a luxury goods company on 9,500 sq.m. of office space;
- Edouard VII, with two new leases signed on a total of 7,200 sq.m. of office space, mainly consisting of the partial rollover of an existing lease with Klépierre;
- office space in the Washington Plaza, Cézanne Saint-Honoré and 103 Grenelle properties, and
- around 850 sq.m. of retail units.

The average nominal rent for the new office leases increased sharply to €835 per sq.m., corresponding to an effective rent of €692 per sq.m., for an average non-cancellable period of 8.6 years. These lease terms attest to the attractiveness of the Group's properties.

The physical occupancy rate for revenue-generating properties at 30 June 2023 was a record 99.7% (compared with 99.5% at 31 December 2022). The EPRA vacancy rate was 0.4% (versus 0.6% at 31 December 2022).

A pipeline focused mainly on two major projects representing a very low risk

Properties undergoing redevelopment at 30 June 2023 represented 14% of the total portfolio. Of the total surface area undergoing redevelopment, around 83% concerned two major projects:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in the second half of 2023 under a turnkey lease on over 20,000 sq.m. signed with the Richemont group (Cartier). Work on the project was pursued during the period according to schedule.

- The Scope (formerly Rives de Seine) office building on Quai de la Râpée in Paris (approximately 23,000 sq.m.), which was vacated by the tenant on 30 September 2022 and will be extensively redeveloped. The building permit was issued in June 2023 and site clearance/asbestos removal work has begun, with delivery planned for 2026.

Capitalised work carried out in first-half 2023 amounted to €28.5 million, including the above projects for a total of €14.5 million and large-scale renovation of the shell of the Galerie des Champs-Elysées and complete floors in the Washington Plaza building.

Purchases/sales – continued strategic refocusing on Paris

On 11 April 2023, SFL sold the 6 rue de Hanovre building in Paris (2nd *arrondissement*) to the GCI/Eternam joint venture for a net selling price of €58.3 million. The building's tenant moved out in October 2022 and the 4,600 sq.m. complex was sold untenanted in its condition on the transaction date.

Disciplined financing strategy with a strong environmental focus

Against a backdrop of steadily rising interest rates, during first-half 2023 the Group obtained an €835 million revolving credit facility from a pool of ten leading international banks. The facility includes a margin adjustment mechanism based on the achievement of three ambitious targets concerning carbon emissions reduction, environmental certification of assets and Global Real Estate Sustainability Benchmark (GRESB) rating.
The five-year facility (with two 1-year extension options) will be used to refinance existing facilities and partially cancel credit lines expiring in 2025 and 2027. It will strengthen SFL's liquidity position, while also extending the average maturity of debt as part of the Group's proactive balance sheet management strategy.

Net debt at 30 June 2023 amounted to €2,582 million compared with €2,438 million at 31 December 2022, representing a loan-to-value ratio of 30.6%. The average cost of debt after hedging was 1.9% at 30 June 2023 and the average maturity was 4.0 years. At 30 June 2023, the interest coverage ratio stood at 3.8x.

Lastly, at 30 June 2023, the Group had access to €1,600 million in undrawn confirmed lines of credit.

Net asset value: EPRA NDV per share down 9.1% at €98.5 after payment of an exceptional dividend of €4.20 in April 2023

The portfolio's consolidated appraisal value at 30 June 2023 was €7,909 million excluding transfer costs, down 4.1% from €8,246 million at 31 December 2022. The like-for-like change was a decrease of 3.4%.

The average EPRA topped-up Net Initial Yield (NIY) was 3.4% at 30 June 2023, up from 3.1% at 31 December 2022.

At 30 June 2023, EPRA Net Tangible Assets (NTA) stood at €98.7 per share (€4,233 million in total, a decline of 8.1% over the first half of the year) and EPRA Net Disposal Value (NDV) was €98.5 per share (€4,225 million in total, down 9.1% over the period), after payment of an exceptional dividend of €4.20 in April 2023.

EPRA indicators

	H1 2023	H1 2022
EPRA Earnings (€m)	**53.2**	48.9
/share	*€1.24*	*€1.14*
EPRA Cost Ratio (including vacancy costs)	13.7%	17.9%
EPRA Cost Ratio (excluding vacancy costs)	12.7%	16.8%

	30/06/2023	31/12/2022
EPRA NRV (€m)	**4,703**	5,104
/share	*€109.7*	*€119.1*
EPRA NTA* (€m)	**4,233**	4,603
/share	*€98.7*	*€107.4*
EPRA NDV (€m)	**4,225**	4,644
/share	*€98.5*	*€108.3*
EPRA Net Initial Yield (NIY)	2.2%	2.4%
EPRA topped-up NIY	3.4%	3.1%
EPRA Vacancy Rate	0.4%	0.6%

** Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).*

	30/06/2023	31/12/2022
LTV	**30.6%**	27.6%
100%, including transfer costs		
EPRA LTV (including transfer costs)		
100%	31.8%	29.2%
Attributable to SFL	36.7%	33.8%
EPRA LTV (excluding transfer costs)		
100%	34.0%	31.2%
Attributable to SFL	39.1%	36.1%

Alternative Performance Indicators (APIs)

EPRA Earnings API

€ millions	**H1 2023**	H1 2022
Attributable net profit	**(177.5)**	**221.5**
Less:		
Fair value adjustments to investment property	327.8	(205.4)
Profit on asset disposals	0.2	0.4
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.6	0.1
Tax on the above items	(12.0)	(0.7)
Non-controlling interests in the above items	(85.9)	33.0
EPRA earnings	**53.2**	48.9
Average number of shares (thousands)	*42,879*	*42,865*
EPRA earnings per share	**€1.24**	€1.14

EPRA NRV/NTA/NDV APIs:

€ millions	**30/06/2023**	31/12/2022
Attributable equity	**4,020**	4,379
Treasury shares	0	2
Fair value adjustments to owner-occupied property	36	35
Unrealised capital gains on intangible assets	4	4
Elimination of financial instruments at fair value	(13)	(15)
Elimination of deferred taxes	193	203
Transfer costs	464	496
EPRA NRV (Net Reinstatement Value)	**4,703**	5,104
Elimination of intangible assets	(2)	(2)
Elimination of unrealised gains on intangible assets	(4)	(4)
Elimination of transfer costs*	(464)	(496)
EPRA NTA (Net Tangible Assets)	**4,233**	4,603
Intangible assets	2	2
Financial instruments at fair value	13	15
Fixed-rate debt at fair value	169	228
Deferred taxes	(193)	(203)
EPRA NDV (Net Disposal Value)	**4,225**	4,644

** Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).*

Net debt API

€ millions	**30/06/2023**	31/12/2022
Long-term borrowings and derivative instruments	1,975	2,074
Short-term borrowings and other interest-bearing debt	636	415
Debt in the consolidated statement of financial position	**2,611**	2,488
Less:		
Accrued interest and deferred recognition of debt arranging fees	28	19
Cash and cash equivalents	(57)	(69)
Net debt	**2,582**	2,438

More information is available at www.fonciere-lyonnaise.com/en/publications/results

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 €7.9 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