SOCIETE FONCIERE LYONNAISE

Paris, 14 February 2024

SFL – 2023 Annual Results

Rental income: €234.4m (up 14.6% as reported, up 8.5% like-for-like)
EPRA earnings: €109.9m (up 1.7%)
Portfolio value (excluding transfer costs): €7,332m (down 10.5% like-for-like)
Occupancy rate: 99.7% (100% occupancy for offices)
EPRA NTA: €87.5 per share
EPRA NDV: €85.7/share

The consolidated financial statements for the year ended 31 December 2023 were approved by the Board of Directors of Société Foncière Lyonnaise ("SFL") on 14 February 2024, at its meeting chaired by Pere Viňolas Serra.

These financial statements show strong growth in adjusted operating profit, resilient EPRA earnings and a 99.7% occupancy rate attesting to the attractiveness of prime Paris office properties and the quality of SFL's business model. The portfolio's appraisal value fell by 11.1% (down 10.5% like-for-like) over the year.

The auditors have completed their audit of the annual financial statements and are in the process of issuing their report.

Consolidated data (€ millions)

	2022	**2023**	**Change**
Rental income	204.5	234.4	+14.6%
Adjusted operating profit*	171.8	201.6	+17.4%
Attributable net profit/(loss)	143.4	(638.8)	
EPRA earnings	108.0	109.9	+1.7%
per share	€2.52	€2.56	+1.7%

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

	31/12/2022	**31/12/2023**	**Change**
Attributable equity	4,379	3,540	-19.2%
Consolidated portfolio value excluding transfer costs	8,246	7,332	-11.1%
Consolidated portfolio value including transfer costs	8,823	7,817	-11.4%
EPRA NTA	4,603	3,752	-18.5%
per share	€107.4	€87.5	-18.5%
EPRA NDV	4,644	3,673	-20.9%
per share	€108.3	€85.7	-20.9%

Strong revenue growth despite an uncertain environment

<u>Rental income</u> up 14.6% as reported and up 8.5% like-for-like

Consolidated rental income rose by a strong €29.9 million (up 14.6%) to €234.4 million in 2023 from €204.5 million in 2022.

- **On a like-for-like basis** (revenue-generating properties, excluding all changes in the portfolio affecting period-on-period comparisons), **rental income was €14.9 million higher (up 8.5%)**, including the €9.0 million impact of rent escalation clauses. The increase also reflected the improved occupancy rate for revenue-generating properties, with the signature of new leases in 2023 (with long-standing tenants or new clients such as Proparco, Fast Retailing, TV5 and a leading luxury goods company) driving significant growth in rental income from several properties, including the Edouard VII, Louvre Saint-Honoré, Washington Plaza, #cloud.paris and 103 Grenelle complexes.

- **Rental income from spaces being redeveloped rose by a net €10.4 million, reflecting:**

    - **An increase of €19.5 million** due in particular to (i) the contribution over the whole year of income 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), (ii) the delivery in July 2023 of the redeveloped retail area of the Louvre-Saint-Honoré complex, which was let with immediate effect to the Richemont Group to house the future Cartier Foundation, and (iii) new leases signed on several floors renovated in 2022, mainly in the Cézanne Saint-Honoré building (Wendel, LRT, Lincoln International and Patrick Jouin).

    - **A decrease of €9.1 million**, after the Scope building (formerly Rives de Seine) previously let to Natixis was vacated on 30 September 2022 in preparation for its redevelopment.

- **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 **€3.9 million**.

- **Lastly, a penalty** received from a tenant in 2023 for breaking the lease added **€0.7 million** to rental income versus 2022.

Adjusted operating profit (i.e., operating profit before disposal gains and losses and fair value adjustments to investment property) rose by a strong 17.4% to €201.6 million in 2023 from €171.8 million in 2022.

Portfolio appraisal values affected by rising interest rates

The portfolio's appraisal value at 31 December 2023 was down 10.5% like-for-like compared to 31 December 2022, leading to negative fair value adjustments to investment property of €960.3 million in 2023. In 2022, fair value adjustments represented a positive amount of €38.6 million.

The fall in values was the result of the rapid decline in capitalisation and discount rates (approximately 90 bps over the year) due to the situation in the commercial property market, which was severely affected by the macroeconomic context and the rise in interest rates. The negative impact of interest rates over the last 12 months was 67%, offset by growth in rental income (reflecting higher market rents and the positive impact of the asset strategy and asset management work).

Net profit/(loss)

Net finance costs amounted to €56.0 million in 2023 compared to €31.6 million the previous year, an increase of €24.4 million that primarily reflected the higher interest rates, as well as the increase in the Group's debt.

After taking account of these key items, EPRA earnings came in at €109.9 million in 2023 versus €108.0 million in 2022.
EPRA earnings per share stood at €2.56 in 2023, up 1.7% from €2.52 the year before.
The Group ended the year with an attributable net loss of €638.8 million, versus a profit of €143.4 million in 2022.

Occupancy rate at a record high of 99.7%

2023 was a period of sustained letting activity, with new leases signed with existing tenants leading to a record 99.7% physical occupancy rate
After a year shaped by a deteriorating geopolitical and economic situation, in 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 41,000 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 some 9,500 sq.m. of office space and a lease extension signed with an existing tenant on an additional 900 sq.m.;
- Edouard VII, with new leases signed on a total of 10,600 sq.m., mainly consisting of the partial rollover of an existing lease with Klépierre and leases on 2,500 sq.m. of retail space;
- new leases on space in the Washington Plaza, Cézanne Saint-Honoré and Louvre Saint-Honoré buildings.

The average nominal rent for the new office leases rose sharply to €856 per sq.m., corresponding to an effective rent of €715 per sq.m., for an average non-cancellable period of 7.7 years. These lease terms attest to the attractiveness of the Group's properties.

The physical occupancy rate for revenue-generating properties at 31 December 2023 was a record 99.7% (versus 99.5% at 31 December 2022). The EPRA vacancy rate was 0.2% (versus 0.6% at 31 December 2022).

A smaller pipeline of excellently positioned properties that are well on the way to being delivered

Properties undergoing redevelopment at 31 December 2023 represented 8% of the total portfolio.

Nearly 75% of the pipeline corresponds to 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 is now being extensively redeveloped. The building permit has been obtained and cleared of all appeals, and the general contractor has been appointed. Site clearance and asbestos removal work has been completed and redevelopment work has started, with delivery scheduled for early 2026.

The retail space in the Louvre Saint-Honoré building (over 20,000 sq.m.), which has been extensively redeveloped in recent years, was delivered on schedule at the end of July 2023, and immediately leased by the Richemont Group to house the future Cartier Foundation.

Capitalised work carried out in 2023 amounted to €58.1 million, including the above two projects for a total of €26.9 million, large-scale renovation of the shell of the Galerie des Champs-Elysées and refurbishment of complete floors and common areas in the Washington Plaza, Louvre Saint-Honoré and Edouard VII buildings.

Purchases/sales – continued refocusing on strategic assets in 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.

No properties were acquired in 2023.

Robust financing with strong environmental performance commitments

Against a backdrop of steadily rising interest rates, in June 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 31 December 2023 amounted to €2,539 million compared to €2,438 million at 31 December 2022, representing a loan-to-value ratio of 32.5% including transfer costs. The average cost of debt after hedging was 2.1% at 31 December 2023 and the average maturity was 3.7 years. At 31 December 2023, the interest coverage ratio stood at 3.7x.

Lastly, at 31 December 2023, the Group had access to €1,570 million in undrawn confirmed lines of credit.

Diligently applying an ambitious ESG strategy

SFL has renewed its commitment to decarbonisation by setting a new target of reducing greenhouse gas emissions by 42% between 2021 and 2030. This target is compatible with the SBTi objective for all three scopes (Scopes 1+2+3). In 2023, these emissions were 27% lower than in 2021, while energy use (kWh/sq.m.) was 23% lower in 2023 than in 2017.

SFL is also continuing its efforts to protect biodiversity, with the equivalent of 10% of the portfolio's footprint now planted and landscaped.

With a Standing Investments Benchmark score of 93/100, up 2 points on 2022, SFL was once again awarded the "5 Stars" label by the Global Real Estate Sustainability Benchmark (GRESB).

At 31 December 2023, all of the Group's debt was labelled green (green bonds) and 79% of confirmed banking lines were indexed to ESG performance objectives.

Net asset value: EPRA NTA per share at €87.5 after payment of an exceptionally high dividend of €4.20 in April 2023

The portfolio's consolidated appraisal value at 31 December 2023 was €7,332 million excluding transfer costs, down 11.1% from €8,246 million at 31 December 2022. The like-for-like change was a decrease of 10.5%.

The average EPRA topped-up Net Initial Yield (NIY) was 3.8% at 31 December 2023, up from 3.1% at the previous year end.

At 31 December 2023, EPRA Net Tangible Assets (NTA) stood at €87.5 per share (€3,752 million in total, a decline of 18.5% over the year) and EPRA Net Disposal Value (NDV) was €85.7 per share (€3,673 million in total), after payment of an exceptionally high dividend of €4.20 per share in April 2023.

Dividend policy

At the Annual General Meeting to be held on 16 April 2024, the Board of Directors will recommend paying a dividend of €2.40 per share.

Dimitri Boulte, Chief Executive Officer of SFL, commented: *"SFL delivered a robust performance in 2023 in a very uncertain environment. We continued to boast excellent business indicators – rental income was up 8.5% like-for-like, and the occupancy rate across the portfolio as a whole was a record high 99.7%, with unprecedented 100% occupancy of our office properties. These results are the fruit of our strategy of focusing on the Paris market, investing in our properties and proactively managing the portfolio. They attest to our teams' unflagging commitment to unlocking the potential of each of our assets. Our performance also reflects our deeply-held belief that property is an incredible performance driver for companies that apply increasingly exacting search criteria in terms of location, quality of the asset, quality of services, etc.*

Demand is becoming concentrated in districts where properties meeting these criteria are already in very short supply. This polarisation is contributing to a sharp rise in the price of new leases in Paris, to the detriment of less central districts with a large number of office properties looking for tenants.

Our good results contrast with an investment market hit by the unprecedented rise in the main central banks' key interest rates, leading to a steep fall in investment volumes in 2023. Our appraisal values are down, but are holding up well thanks to the quality of the assets, with a 10.5% like-for-like decline over the year.

We will continue the work to strengthen our already solid balance sheet, and pursue our targeted value creation strategy to make the SFL property portfolio one of the best in Paris. Our value lies in our ability to successfully complete sophisticated and exemplary real estate projects."

EPRA indicators

	2022	**2023**
EPRA Earnings (€m)	108.0	**109.9**
/share	*€2.52*	*€2.56*
EPRA Cost Ratio (including vacancy costs)	15.3%	12.7%
EPRA Cost Ratio (excluding vacancy costs)	14.2%	11.8%

	31/12/2022	**31/12/2023**
EPRA NRV (€m)	5,104	**4,173**
/share	*€119.1*	*€97.3*
EPRA NTA* (€m)	4,603	**3,752**
/share	*€107.4*	*€87.5*
EPRA NDV (€m)	4,644	**3,673**
/share	*€108.3*	*€85.7*
EPRA Net Initial Yield (NIY)	2.4%	2.6%
EPRA topped-up NIY	3.1%	3.8%
EPRA Vacancy Rate	0.6%	0.2%

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

	31/12/2022	**31/12/2023**
LTV	27.6%	**32.5%**
100%, including transfer costs		
EPRA LTV (including transfer costs)		
100%	29.2%	34.3%
Attributable to SFL	33.8%	39.6%
EPRA LTV (excluding transfer costs)		
100%	31.2%	36.6%
Attributable to SFL	36.1%	42.2%

Alternative Performance Indicators (APIs)

EPRA Earnings API

€ millions	2022	**2023**
Attributable net profit/(loss)	143.4	**(638.8)**
Less:		
Fair value adjustments to investment property	(38.6)	960.3
Profit on asset disposals	0.4	0.2
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.2	0.7
Tax on the above items	(9.0)	(31.7)
Non-controlling interests in the above items	11.6	(180.8)
EPRA earnings	108.0	**109.9**
Average number of shares (thousands)	*42,865*	*42,882*
EPRA earnings per share	€2.52	**€2.56**

EPRA NRV/NTA/NDV APIs:

€ millions	31/12/2022	**31/12/2023**
Attributable equity	4,379	**3,540**
Treasury shares	2	0
Fair value adjustments to owner-occupied property	35	34
Unrealised capital gains on intangible assets	4	4
Elimination of financial instruments at fair value	(15)	6
Elimination of deferred taxes	203	173
Transfer costs	496	416
EPRA NRV (Net Reinstatement Value)	5,104	**4,173**
Elimination of intangible assets	(2)	(1)
Elimination of unrealised gains on intangible assets	(4)	(4)
Elimination of transfer costs*	(496)	(416)
EPRA NTA (Net Tangible Assets)	4,603	**3,752**
Intangible assets	2	1
Financial instruments at fair value	15	(6)
Fixed-rate debt at fair value	228	98
Deferred taxes	(203)	(173)
EPRA NDV (Net Disposal Value)	4,644	**3,673**

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

Net debt API

€ millions	31/12/2022	**31/12/2023**
Long-term borrowings and derivative instruments	2,074	1,983
Short-term borrowings and other interest-bearing debt	415	644
Debt in the consolidated statement of financial position	2,488	**2,628**
Less:		
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	19	8
Cash and cash equivalents	(69)	(97)
Net debt	2,438	**2,539**

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 €7.3 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. 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. With its sights firmly set on the future, SFL is committed to sustainable real estate with the aim of building the city of tomorrow and helping to reduce carbon emissions in its sector.

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

S&P rating: BBB+ stable outlook