SFL
SOCIETE FONCIERE LYONNAISE

# SFL'S 2011 RESULTS

**Paris, 16 February 2012** - The financial statements for the year ended 31 December 2011 were approved by the Board of Directors of Société Foncière Lyonnaise on 16 February 2012, at its meeting chaired by Juan-José Brugera.
Presented by Bertrand Julien-Laferrière, Chief Executive Officer, these financial statements show that reported property rentals declined in 2011, mainly due to the end-2010 transfer of certain properties to SIIC de Paris in exchange for shares in that company. Excluding the effect of this transfer, like-for-like property rentals increased over the year. The portfolio's appraisal value was also higher, and so was net profit for the year which included the contribution of SIIC de Paris.
The financial statements have been audited and the auditors' report is being prepared.

**Consolidated data (€ millions)**

| | **2011** | 2010 |
|---|---|---|
| Property rentals | 151.6 | 174.9 |
| Operating profit before disposal gains and losses and fair value adjustments to investment properties | 125.4 | 146.6 |
| Attributable net profit | 180.9 | 164.6 |
| Underlying attributable net profit (EPRA earnings) | 81.2 | 96.7 |

| | **31 Dec. 2011** | 31 Dec. 2010 |
|---|---|---|
| Attributable equity | 1,948 | 1,865 |
| Portfolio value excluding transfer costs | 3,086 | 2,960 |
| Portfolio value including transfer costs | 3,241 | 3,120 |
| EPRA NNNAV | 1,993 | 1,890 |
| EPRA NNNAV per share | €42.8 | €40.6 |

**Results**

- Property rentals amounted to €151.6 million in 2011 versus €174.9 million the previous year. The decline was due to the €19.7 million in "lost" revenues from properties sold on the market or transferred to SIIC de Paris in 2010 (the Coface and Les Miroirs buildings in La Défense) in exchange for shares in that company. It also reflected the inclusion in the 2010 basis of comparison of the €16.9 million lease termination penalty received from the Les Miroirs tenant, although this was partly offset by the €4.1 million penalty received in 2011 from a tenant of the Edouard VII building.
On a like-for-like basis, property rentals were up by €7.9 million or 6.6%, boosted by last year's improvement in occupancy rates. In addition, changes in the development pipeline during the period 2010-2011 drove a €1.3 million net increase in 2011 property rentals, corresponding to the €9.8 million positive contribution from properties put back on the market (112 Wagram and Mandarin Oriental Paris) less the €8.5 million in "lost" revenues from properties that entered the development pipeline.


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With an exceptional portfolio of properties valued at €3.2 billion including transfer costs, essentially located in the Paris Central Business District, SFL is a preferred vehicle for investors wishing to invest in the Paris office and retail property market. As the leading player in this market, the Group is firmly focused on pro-actively managing high-quality property assets. SFL has elected to be taxed as an SIIC since 2003.

**STOCK MARKET:**
Euronext Paris Compartment A – Euronext Paris ISIN FR0000033409 – Bloomberg: FLY FP – Reuters: FLYP PA

**RATING S&P:** BBB- stable

- Operating profit before disposal gains and losses and fair value adjustments to investment properties stood at €125.4 million for 2011, versus €146.6 million for the previous year.

- A capital gain of €7.8 million was realized on the December 2011 sale of the Old England store on boulevard des Capucines in Paris. In contrast, asset disposals in 2010 generated an aggregate net loss of €33.9 million.

- The portfolio's appraisal value rose by 5.8% over the year and 2.8% in the second half (on a comparable portfolio basis). The increase led to positive fair value adjustments to investment properties of €98.1 million in 2011 versus a positive €107.0 million in 2010.

- Associates – corresponding to SIIC de Paris which has been 30%-owned since end-December 2010 – contributed €18.7 million to 2011 profit, of which €11.7 million was included in underlying net profit (EPRA earnings). The SIIC de Paris transaction generated a gain of €13.3 million in 2010, corresponding to the difference between the fair value of the net assets acquired and the net acquisition cost.

- Finance costs and other financial income and expense amounted to €53.7 million in 2011 versus €47.9 million in 2010. The €5.8 million year-on-year increase stemmed mainly from the sharp rise in confirmed lines of credit. These facilities ensure that the Group has sufficient liquidity and the necessary capacity to invest.

- Attributable net profit came in at €180.9 million compared with €164.6 million in 2010. Excluding the impact of disposals, changes in fair value of investment properties and financial instruments and the related tax effect, underlying attributable net profit (EPRA earnings) amounted to €81.2 million in 2011 versus €96.7 million the year before.

**Business review**

In 2011, prospective tenants adopted a highly selective approach and lease negotiation periods were longer. In this market, SFL successfully marketed over 20,000 square meters at an average facial rent of €648 per square meter for offices (corresponding to an economic rent of €562 per square meter). These new leases drove up the occupancy rate (excluding properties undergoing renovation) to 94% at 31 December 2011 from 90% at the previous year-end. Some two-thirds of the unlet space was in the 103 Grenelle and Washington-Plaza properties. The 112 Wagram building delivered in October 2010 and the Mandarin Oriental Paris delivered in April 2011 are both fully let.

Capitalized work for 2011 amounted to €61 million and mainly concerned the remodelling of the Mandarin Oriental Paris building, the Ozone building at 92 Champs-Elysées, and the In/Out urban business campus in Boulogne (in the Western Crescent). All the retail outlets in the Ozone building have now been let, after CNAC agreement was obtained for the flagship Zara store that is due to be delivered in the second half of 2012. The final building permit for the In/Out complex was obtained in November 2011 and the development will be delivered in the first half of 2013.

Despite having the necessary financial resources, SFL did not purchase any new properties during 2011 and remains poised to take up any investment opportunities that may arise in the market. In December 2011, the Old England store on boulevard des Capucines in Paris was sold. The transaction price for this small, non-strategic asset represented an 18% premium to its most recent appraisal value.

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## Financing

In May 2011, SFL carried out a €500 million inaugural 5-year bond issue covered by the BBB- (stable) rating attributed to SFL by Standard & Poor's in April 2011. The issue proceeds were used to repay the amounts drawn down from the Group's revolving lines of credit which have been retained as unused confirmed facilities.

Net debt at 31 December 2011 amounted to €1,243 million, compared with €1,202 million at 31 December 2010, representing a loan-to-value ratio of 35.5% including the minority interest held in SIIC de Paris. At that date, SFL also had €610 million in unused lines of credit. The average cost of debt after hedging was 4.2% at end-2011 and the average maturity was 3.7 years.

## Net Asset Value

The appraisal value of the portfolio at 31 December 2011 was €3,086 million excluding transfer costs, up 4.3% from €2,960 million a year earlier. The estimated replacement value (including transfer costs) was €3,241 million. On a comparable portfolio basis, the year-on-year increase was 5.8%, mainly reflecting uplifts on recently delivered properties and properties in the development pipeline.

Prime office properties in Paris's Central Business District accounted for 75% of the total portfolio and retail / hotel units on the capital's best shopping streets represented 24%. In all, 94% of the portfolio is located in central Paris and the other 6% in prime locations in the Western Crescent.

The average rental yield stood at 5.5% at 31 December 2011, compared with 5.8% at 31 December 2010.

EPRA NNNAV stood at €1,993 million or €42.8 per share at 31 December 2011 compared with €40.6 per share at the previous year-end, an increase of 5.4%.

## Dividend

At the Annual General Meeting to be held on 19 April 2012, the Board of Directors will recommend paying a dividend of €1.40 per share.

**For more information, visit www.fonciere-lyonnaise.com**

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