SOCIETE FONCIERE LYONNAISE

PRESS RELEASE
Paris, 29 July 2020

SFL – First-Half 2020 Results

Rental income: €91.2 million
EPRA earnings: €50.1 million
Attributable net profit: €113.7 million
Portfolio value: €7,239 million (up 1.1%)
EPRA NNNAV: €95.7 per share (down 0.2% over 6 months/up 8.5% over 1 year)

The interim consolidated financial statements for the six months ended 30 June 2020 were approved by the Board of Directors of Société Foncière Lyonnaise on 28 July 2020, at its meeting chaired by Juan José Brugera.

In a market thrown into turmoil by the Covid-19 crisis, rental income and EPRA earnings declined but the portfolio's appraisal value continued to rise and the Group's NAV remained stable, attesting to SFL's strategic resilience.

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 2020	H1 2019	Change
Rental income	91.2	97.9	-6.9%
Adjusted operating profit*	74.8	83.3	-10.1%
EPRA earnings	50.1	57.2	-12.5%
Attributable net profit	113.7	253.5	-

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

	30/06/2020	31/12/2019	Change
Attributable equity	4,473	4,485	-0.3%
Consolidated portfolio value excluding transfer costs	7,239	7,158	+1.1%
Consolidated portfolio value including transfer costs	7,715	7,632	+1.1%
EPRA NNNAV	4,452	4,461	-0.2%
EPRA NNNAV per share	€95.7	€95.9	

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Results:

Rental income:

First-half 2020 consolidated rental income amounted to €91.2 million, down €6.7 million (6.9%) from the €97.9 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 €2.6 million (2.9%). The decline was due to the effects of the Covid-19 crisis, which led to rent holidays being granted to tenants of small retail units (with a marginal overall impact) and the closure of the Edouard VII and #cloud.paris conference centres as well as the Indigo hotel. Adjusted for the impacts of the conference centres, Indigo hotel and Edouard VII car park closures, like-for-like rental income increased by €0.3 million.

- Rental income from units being redeveloped or renovated in the periods concerned was down by €3.5 million, due to the renovation of several floors that were vacated in late 2019 and early 2020, mainly in the 103 Grenelle building.

- Lastly, income from various penalties was down by a slight €0.6 million in first-half 2020.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €74.8 million in first-half 2020 versus €83.3 million in the year-earlier period.

Portfolio appraisal value:

The portfolio's appraisal value at 30 June 2020 was 1.1% higher on a like-for-like basis than at 31 December 2019. Positive fair value adjustments to investment property amounted to €42.8 million at 30 June 2020 versus positive adjustments of €234.5 million at 30 June 2019.

Net profit:

Net finance costs amounted to €13.7 million in first-half 2020 compared with €15.2 million in the year-earlier period, a decrease of €1.5 million. The €0.4 million increase in recurring finance costs, mainly reflecting the Group's higher level of debt, was partly offset by the lower average cost of debt.

After taking into account these core items, the Group reported EPRA earnings of €50.1 million in first-half 2020, down 12.5% from €57.2 million in the year-earlier period. Attributable net profit for the period came in at €113.7 million compared with €253.5 million in first-half 2019.

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Business review:

Rental operations:

Despite the Covid-19 crisis which severely disrupted the Paris region rental market, SFL signed leases on around 16,000 sq.m. in first-half 2020 on very good terms. The 10,000 sq.m. of offices let during the period included over 80% (6,500 sq.m.) of the office space in the 83 Marceau building currently in the process of being redeveloped, which has been let to Goldman Sachs under a turnkey lease.

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 95.0% at 30 June 2020 compared with 97.4% at 31 December 2019. The remaining vacant units are located mainly in the Le Vaisseau building in Issy-les-Moulineaux and the 103 Grenelle building where around 6,000 sq.m. of newly renovated offices have just been delivered. The EPRA vacancy rate was 4.5% at June 30, 2020 versus 1.6% at 31 December 2019.

Development operations:

Properties undergoing development at 30 June 2020 represented roughly 17% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:

- The retail space in the Louvre Saint-Honoré building, which is scheduled for delivery at the end of 2023 under a turnkey lease on over 20,000 sq.m. Work has just begun on clearing the space to be redeveloped and removing asbestos.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.), which is being completely redeveloped. The partial demolition phase has already been completed and the building is due to be delivered in 2022.
- The office building at 83 avenue Marceau (approximately 9,000 sq.m.), which is in the process of being redeveloped, with delivery scheduled for 2021. Most of the units have been pre-let, including almost 6,500 sq.m. (81% of the building's total surface area) let under a turnkey lease signed in first-half 2020.

Development costs capitalised in first-half 2020 amounted to €32.5 million, including the above projects for a total of €18.4 million and large-scale renovations of complete floors in the Washington Plaza, 103 Grenelle and 106 Haussmann buildings.

Work on these projects was halted for approximately two months during the Covid-19 lockdown. Once the lockdown was lifted, the various teams gradually returned to work as conditions allowed and site activity was almost back to normal levels in June. The resulting delivery delays were kept to a reasonable three-to-six months depending on the project.

Portfolio operations:

No properties were purchased or sold in first-half 2020.

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Financing:

During the period, SFL issued €500 million worth of 1.50% seven-year bonds due on 5 June 2027.

In addition, a new five-year €150 million revolving line of credit was obtained from BNP Paribas. This new facility cancels and replaces a previous €150 million revolving line of credit that was reduced to €100 million in 2019 and was due to expire in May 2021.

The bond issue and revolving line of credit will be used for general corporate purposes. They have extended the average maturity of the Group's debt as part of its proactive balance sheet management strategy.

Net debt at 30 June 2020 amounted to €1,877 million (compared with €1,732 million at 31 December 2019), representing a loan-to-value ratio of 24.3%. At June 30, 2020, the average cost of debt after hedging was 1.5% and the average maturity was 4.7 years. At the same date, the interest coverage ratio stood at 5.6x.

At 30 June 2020, SFL had €1,040 million in undrawn lines of credit.

EPRA NNNAV:

The consolidated market value of the portfolio at 30 June 2020 was €7,239 million excluding transfer costs, an increase of 1.1% from €7,158 million at 31 December 2019 that was primarily due to the value created by work on the Group’s flagship projects. The market value of its revenue-generating office properties was stable compared with end-2019.

The average EPRA topped-up net initial yield (NIY) was 3.0% at 30 June 2020, unchanged from 31 December 2019.

EPRA NNNAV stood at €4,452 million or €95.7 per share at 30 June 2020 versus €95.9 per share at 31 December 2019, reflecting a very small 0.2% decrease over the past six months after payment of a dividend of €2.65 per share in April 2020. After adding back the dividend payout, EPRA NNNAV was up 2.6% over the period.

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Management of the Covid-19 health crisis:

As soon as the crisis emerged, 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 were deployed in the buildings' common areas.
- The conference centres (Edouard VII and #cloud.paris) and the Indigo hotel (Edouard VII) were closed.
- 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 in a very slow 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.

As a result of these measures, the top-line impact of the crisis was limited to €3.7 million in "lost" rental income, leading to a €2.5 million reduction in net property rentals.

A citizen-based approach:

To ensure business continuity while also protecting employees, all of SFL's teams worked from home during the lockdown, with no temporary lay-offs, since the lockdown was lifted, they have been gradually returning to the office.

Lastly, SFL 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. The Group also offered to make one of its vacant properties available to the Paris urban affairs ministry to provide emergency housing.

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EPRA indicators

	H1 2020	H1 2019
EPRA Earnings (€m)	**50.1**	**57.2**
/share	*€1.08*	*€1.23*
EPRA Cost Ratio (including vacancy costs)	16.1%	13.2%
EPRA Cost Ratio (excluding vacancy costs)	14.3%	12.5%

	30/06/2020	31/12/2019
EPRA NAV (€ millions)	**4,606**	**4,623**
/share	*€99.0*	*€99.4*
EPRA NNNAV (€ millions)	**4,452**	**4,461**
/share	*€95.7*	*€95.9*
EPRA Net Initial Yield (NIY)	2.6%	2.7%
EPRA topped-up NIY	3.0%	3.0%
EPRA Vacancy Rate	4.5%	1.6%

Alternative Performance Indicators (APIs)

API EPRA earnings

€ millions	H1 2020	H1 2019
Attributable net profit	**113.7**	**253.5**
Less:		
Profit (loss) on asset disposals	-	-
Fair value adjustments to investment property	(42.8)	(234.5)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	0.2	2.1
Tax on the above items	(9.0)	12.5
Non-controlling interests in the above items	(12.0)	23.6
EPRA earnings	**50.1**	**57.2**

API EPRA NNNAV

€ millions	30/06/2020	31/12/2019
Attributable equity	**4,473**	**4,485**
Treasury shares	4	8
Unrealised capital gains	23	23
Fair value adjustments to fixed rate debt	(48)	(55)
EPRA NNNAV	**4,452**	**4,461**

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API net debt

€ millions	30/06/2020	31/12/2019
Long-term borrowings and derivative instruments	1,936	1,441
Short-term borrowings and other interest-bearing debt	258	393
Debt in the consolidated statement of financial position	**2,194**	**1,834**
Less:		
Current account advances (liabilities)	(50)	(50)
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	2	1
Cash and cash equivalents	(270)	(54)
Net debt	**1,877**	**1,732**

More information is available at www.fonciere-lyonnaise.com

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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