

# SFL - First-Half 2022 Results

## A very active first half and record operating performance

**Rental income: €98.0m (up 13.8% as reported, up 6.3% like-for-like)**  
**EPRA earnings: €48.9 million (up 11.6%)**  
**EPRA earnings per share €1.14 (up 21.1%)**  
**Attributable net profit: €221.5m**  
**Portfolio value: €8,357m (up 3.8% like-for-like)**  
**EPRA NTA: €109.3 per share (up 1.3% vs 31 Dec. 2021, up 6.4% vs 30 June 2021)**

The interim consolidated financial statements for the six months ended 30 June 2022 were approved by the Board of Directors of Société Foncière Lyonnaise on 25 July 2022, at its meeting chaired by Pere Viñolas Serra and attended by the new Chief Executive Officer.

These financial statements show a significant increase in all business indicators, the portfolio's appraisal value and the Company's NAV. First-half 2022 saw a record 21.1% increase in EPRA earnings per share, supported by strong 6.3% like-for-like growth in rental income. This performance, delivered in a more uncertain rental and investment market and an unsettled economic environment, demonstrates the relevance of SFL's business model, the growing polarisation of demand on inner Paris and the hard work of SFL's teams in the first half of the year.

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 2022	H1 2021	Change
Rental income	98.0	86.1	+13.8%
Adjusted operating profit*	78.1	66.6	+17.3%
Attributable net profit	221.5	98.8	+124.3%
EPRA earnings	48.9	43.8	+11.6%
per share	€1.14	€0.94	+21.1%

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

	30/06/2022	31/12/2021	Change
Attributable equity	4,442	4,387	+1.2%
Consolidated portfolio value excluding transfer costs	8,357	7,606	+9.9%
Consolidated portfolio value including transfer costs	8,942	8,138	+9.9%
EPRA NDV	4,666	4,375	+6.7%
EPRA NDV per share	€108.9	€102.1	

## **A. Very robust first-half results and strong growth in key indicators**

### **I. Sharply higher rental income, up 13.8% as reported (up 6.3% like-for-like)**

First-half 2022 consolidated rental income amounted to €98.0 million versus €86.1 million for the same period of 2021, an increase of €11.9 million (up 13.8%):

- On a like-for-like basis (on revenue-generating surface areas, excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €5.0 million higher (up 6.3%). The increase was primarily attributable to new leases signed in 2021 and 2022, mainly in the Edouard VII, 103 Grenelle and Washington Plaza properties, and to the effect of applying rent escalation clauses.
- Rental income from units being redeveloped or renovated in the periods concerned was up by €4.3 million, reflecting delivery of the redeveloped 83 Marceau building and the signature of leases on several floors refurbished in 2020 and 2021, mainly in the Cézanne Saint-Honoré and Washington Plaza buildings.
- Finally, the acquisition of the Pasteur building in April 2022 generated a significant increase in rental income which more than offset the income lost on disposal of the 112 Wagram and 9 Percier buildings at the beginning of 2021. All told, the net impact of these changes in the portfolio on first-half 2022 rental income was a positive €2.5 million.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €78.1 million in first-half 2022 versus €66.6 million in the year-earlier period, a significant increase of 17.3%.

### **II. Portfolio appraisal value of approximately €8.4 billion excluding transfer costs at 30 June 2022 (up 3.8% like-for-like)**

The 3.8% like-for-like increase versus 31 December 2021 led to the recognition of positive fair value adjustments to investment property of €205.4 million in first-half 2022 compared with positive adjustments of €54.7 million in first-half 2021.

### **III. A record 21.1% increase in EPRA earnings per share compared to 2021**

Net finance costs amounted to €13.8 million in first-half 2022 versus €14.8 million in the year-earlier period. The decline of €1.0 million primarily reflected the Group's lower average cost of debt, partly offset by an increase in average debt.

After taking account of these key items, EPRA earnings totalled €48.9 million in first-half 2022, versus €43.8 million in the year-earlier period. EPRA earnings per share stood at €1.14 in first-half 2022, up by a strong 21.1% from €0.94 in first-half 2021.

First-half 2022 attributable net profit came in at €221.5 million, versus €98.8 million in the same period of 2021.

### **B. First-half 2022 rental activity: SFL is reaping the full benefits of market polarisation**

#### **I. Intense leasing activity, with 100% of the office space in the Biome building pre-let, and a record high occupancy rate of 99.4%**

Despite the sharp deterioration in the geopolitical and economic situation and contrary to the trends observed in other Paris region markets, the upturn in the Paris commercial property rental market observed in late 2021 continued in first-half 2022, particularly for high quality properties in prime locations. In this environment, the SFL Group signed leases on around 35,000 sq.m. of mainly office space in first-half 2022. Lease deals included:

- Biome, with the complex's 22,000 sq.m. of office space pre-let to La Banque Postale and SFIL; this was a benchmark transaction among the five over-20,000 sq.m. lease deals signed in the Paris region during the first half of the year;
- 103 Grenelle, with two new leases signed on a total of 2,700 sq.m.;
- Edouard VII, with leases signed on 2,700 sq.m., including one on a 1,700 sq.m. retail unit;
- 176 Charles de Gaulle in Neuilly, with leases signed on 1,900 sq.m., including one on a 1,200 sq.m. retail unit;
- along with new leases in the #cloud.paris, Washington-Plaza and 83 Marceau properties.

The average nominal rent on these leases stood at €729 per sq.m., corresponding to an effective rent of €604 per sq.m., for an average non-cancellable term of 8.4 years. These lease terms attest to the attractiveness of the Group's properties.

The occupancy rate for revenue-generating properties at 30 June 2022 was a record high 99.4% (compared with 98.0% at 31 December 2021). The EPRA vacancy rate was 0.6% (versus 1.7% at 31 December 2021).

## **II. A pipeline (redevelopment projects) of approx. 52,000 sq.m., of which 75% have been pre-let**

Properties undergoing redevelopment at 30 June 2022 represented roughly 14% of the total portfolio (surface area attributable to SFL). The two main projects concerned:

- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in late 2023 under a turnkey lease on over 20,000 sq.m. signed with Fondation Cartier. During first-half 2022, work on the project was pursued according to schedule.
- The Biome building on Avenue Emile Zola (approximately 25,000 sq.m.), which was delivered on 19 July following a major redevelopment programme. As explained above, all the office space was pre-let to La Banque Postale and SFIL.

Capitalised work carried out in first-half 2022 amounted to €69.0 million, including the above projects for a total of €50.0 million and large-scale renovations of complete floors in the Washington Plaza and Cézanne Saint-Honoré buildings.

## **III. Targeted property purchases and sales: refocusing on inner Paris**

An asset rotation strategy to refocus on inner Paris and increase the average size of SFL's assets

On 25 April 2022, SFL acquired the Pasteur building from Primonial REIM France for €484 million including transfer costs. The 40,000 sq.m. building is located at 91-93 boulevard Pasteur in the 15<sup>th</sup> *arrondissement* of Paris, next to Montparnasse train station. It is currently let to Amundi under a 12-year non-cancellable lease.

On 30 May 2022, SFL sold the 6,300 sq.m. Le Vaisseau building in Issy-les-Moulineaux to the Institut Catholique de Lille for €27 million excluding transfer costs.

## **C. Financing: all bond issues converted into green bonds and loan-to-value ratio kept at a very reasonable 27.7%**

During the first half of 2022, SFL carried out a number of refinancing transactions to provide funding for general corporate purposes and strengthen its liquidity:

- Bond debt: issuance of two €99 million taps on the 0.5% bonds due 21 April 2028 and the 1.5% bonds due 5 June 2027, and conversion of all of the Group's bond issues into green bonds.
- Signature with Caixabank of a new €100 million 5-year revolving line of credit.
- Signature with Cadif of a €175 million 3-year line of credit renewing a line for the same amount expiring in June 2023. This new line of credit is SFL's first impact loan, backed by a target to reduce its carbon footprint.

Net debt at 30 June 2022 amounted to €2,477 million (compared with €1,792 million at 31 December 2021), representing a loan-to-value ratio of 27.7%. The average cost of debt after hedging was 1.0% at 30 June 2022 and the average maturity was 4.1 years. At the same date, the interest coverage ratio stood at 5.8x.

At 30 June 2022, SFL had €1,090 million in undrawn lines of credit.

**D. Net asset value: EPRA Net Disposal Value per share up 9.9% at €108.9 after payment of a dividend of €4.2 in April 2022**

The consolidated appraisal value of the portfolio at 30 June 2022 was €8,357 million excluding transfer costs. The increase of 9.9% from €7,606 million at 31 December 2021 primarily reflected the acquisition of the Pasteur building. On a comparable portfolio basis, the increase was 3.8%, led primarily by the higher appraisal values of properties undergoing redevelopment.

The average EPRA topped-up net investment yield (NIY) stood at 3.0% as of 30 June 2022, compared with 2.9% as of 31 December 2021.

At 30 June 2022, EPRA Net Tangible Assets stood at €4,687 million and EPRA Net Disposal Value was €4,666 million.

Over the period, EPRA NTA per share increased by 1.3% to €109.3 and EPRA NDV per share by 6.7% to €108.9. Over one year, the increases were respectively 6.4% and 9.9%, after payment of a dividend of €4.20/share in April 2022.

### E. EPRA indicators

	H1 2022	H1 2021
<b>EPRA Earnings (€m)</b>	<b>48.9</b>	43.8
<i>/share</i>	€1.14	€0.94
EPRA Cost Ratio (including vacancy costs)	17.9%	17.0%
EPRA Cost Ratio (excluding vacancy costs)	16.8%	15.1%

	30/06/2022	31/12/2021
<b>EPRA NRV (€m)</b>	<b>5,195</b>	5,084
<i>/share</i>	€121.2	€118.6
<b>EPRA NTA (€m)</b>	<b>4,687</b>	4,627
<i>/share</i>	€109.3	€107.9
<b>EPRA NDV (€m)</b>	<b>4,666</b>	4,375
<i>/share</i>	€108.9	€102.1
EPRA Net Initial Yield (NIY)	2.2%	2.5%
EPRA topped-up NIY	3.0%	2.9%
EPRA Vacancy Rate	0.6%	1.7%

### Alternative Performance Indicators (APIs)

#### EPRA Earnings API

€ millions	H1 2022	H1 2021
<b>Attributable net profit</b>	<b>221.5</b>	98.8
Less:		
Profit (loss) on asset disposals	0.4	(0.1)
Non-recurring costs relating to disposals	-	2.5
Fair value adjustments to investment property	(205.4)	(54.7)
Fair value adjustments to financial instruments, discounting	0.1	-
adjustments to debt and related costs		
Tax on the above items	(0.7)	(3.2)
Non-controlling interests in the above items	33.0	0.5
<b>EPRA earnings</b>	<b>48.9</b>	43.8

**EPRA NRV/NTA/NDV APIs:**

€ millions	30/06/2022	31/12/2021
<b>Attributable equity</b>	<b>4,442</b>	4,387
Treasury shares	2	2
Fair value adjustments to owner-occupied property	34	34
Unrealised capital gains on intangible assets	4	4
Elimination of financial instruments at fair value	-	(4)
Elimination of deferred taxes	211	211
Transfer costs	502	451
<b>EPRA NRV (Net Reinstatement Value)</b>	<b>5,195</b>	5,084
Elimination of intangible assets	(2)	(2)
Elimination of unrealised gains on intangible assets	(4)	(4)
Elimination of transfer costs*	(502)	(451)
<b>EPRA NTA (Net Tangible Assets)</b>	<b>4,687</b>	4,627
Intangible assets	2	2
Financial instruments at fair value	-	4
Fixed-rate debt at fair value	188	(47)
Deferred taxes	(211)	(211)
<b>EPRA NDV (Net Disposal Value)</b>	<b>4,666</b>	4,375

**Net debt API**

€ millions	30/06/2022	31/12/2021
Long-term borrowings and derivative instruments	1,823	1,489
Short-term borrowings and other interest-bearing debt	789	413
<b>Debt in the consolidated statement of financial position</b>	<b>2,612</b>	1,902
Less:		
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	26	5
Cash and cash equivalents	(160)	(115)
<b>Net debt</b>	<b>2,477</b>	1,792

More information is available at [www.fonciere-lyonnaise.com/en/publications/results](http://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 €8.4 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