

**FILING OF A DRAFT INFORMATION MEMORANDUM**  
**Presented by**



**Advised by**



**In response to a draft information memorandum issued by Grupo Inmocaral S.A.  
in connection with its simplified public tender offer for SFL shares**

The draft information memorandum issued by Grupo Inmocaral S.A. and presented by Goldman Sachs International was published on 31 October 2006.

This press release was prepared by SFL and published as required by the general regulations (*règlement général*) of the Autorité des Marchés Financiers (AMF), Article 231-26.

**The public tender offer and SFL's information memorandum are subject to approval by the AMF.**

In accordance with the general regulations (*règlement général*) of the Autorité des Marchés Financiers (AMF), Articles 234-3 and 231-13, Goldman Sachs International, acting on behalf of Grupo Inmocaral S.A., a company governed by Spanish law, filed a proposed simplified public tender offer ("the Offer") with the AMF on 30 October 2006 for the shares of SFL.

Grupo Inmocaral S.A. is making an irrevocable offer to SFL shareholders to purchase their SFL shares at a price of €55 per share. The €55 Offer price has been determined after taking into account the payment, on 8 November, of the interim dividend of €0.70 per SFL share announced on 26 October. SFL shares tendered to the Offer will be purchased by Inmobiliaria Colonial S.A., a 93.41%-owned subsidiary of Grupo Inmocaral S.A.

The Offer concerns all SFL shares that are not currently held either directly or indirectly by the Offeror, all SFL treasury shares and any and all SFL shares issued before the close of the Offer upon exercise of stock options. It therefore applies to a maximum of 8,922,704 shares.

In accordance with the AMF's general regulations, Article 231-16, Grupo Inmocaral published an announcement in Les Echos, in French financial newspaper, on 2 November, describing the main characteristics of the Offer.

## **1. Recommendation of SFL's Board of Directors**

“The Board of Directors met on 10 November under the chairmanship of Luis Manuel Portillo Muñoz, Chairman of the Board. Yves Mansion, Chief Executive Officer, and Alec Emmott, Managing Director, also attended the meeting.

All the directors were present or represented.

The Board reviewed the Offer filing notice issued by the AMF on 31 October (AMF *avis* no. 206C1977), Grupo Inmocaral S.A.'s draft information memorandum filed with the AMF on 30 October and the draft information memorandum prepared in response by SFL.

The Board considered the analyses and advice of the Company's financial advisors, Calyon and UBS, as well as the fairness opinion issued by Dominique Ledouble in accordance with the AMF's general regulations, Article 262-1. Calyon, UBS and Dominique Ledouble all consider that the financial terms of the proposed Offer are fair.

In accordance with the AMF's general regulations, Article 231-19, the Board of Directors was called upon to assess the benefits of the Offer, if any, and its implications for SFL, its shareholders and its employees.

Concerning the benefits of the Offer and its implications for SFL and its employees, the Board of Directors considered Grupo Inmocaral S.A.'s intentions and objectives, as described in its draft information memorandum filed with the AMF on 30 October.

The Board noted that:

- SFL will continue to be listed on the Eurolist by Euronext™. Grupo Inmocaral S.A. intends to maintain a significant free-float and will consider taking a number of measures over the next 12 months to that end, particularly in response to any changes in SIIC tax rules.
- SFL will continue to be taxed as an SIIC and will maintain its current dividend policy, in line with SIIC rules.

- Grupo Inmocaral S.A. supports the four-point strategy devised by SFL's senior management:
  - Continue to grow the business by leveraging the Company's very strong balance sheet and its positioning in office and retail property in the central business districts of Paris.
  - Optimise the existing portfolio by actively managing assets to enhance the overall return.
  - Seize market opportunities to purchase, renovate and refurbish properties that offer a high reversionary potential but may require extensive modernisation, creating considerable added value in the process.
  - Generate substantial current cash flow to finance high dividend yields for shareholders.
  
- Grupo Inmocaral S.A. intends to pursue and develop SFL's business and fully recognises the existing teams' expertise and ability to ensure the Company's continued success. As a result, Grupo Inmocaral S.A. has indicated that it will maintain SFL's teams and work with the Company's management, led by Yves Mansion and Alec Emmott, who have been confirmed in their respective positions of Chief Executive Officer and Managing Director alongside Chairman Luis Manuel Portillo Muñoz.
  
- The Offer will have no impact on jobs at SFL or on employees' individual and collective terms and conditions.
  
- The financing of Grupo Inmocaral S.A.'s tender offers for Inmobiliaria Colonial and SFL will have no impact on SFL's assets, business or financial results.

Concerning SFL's financing, the Board of Directors noted the risk of a rating downgrade stemming from Grupo Inmocaral S.A.'s indirect control of the Company. However, the Board also noted that Grupo Inmocaral S.A. intends to actively support SFL's future business development and has the capacity to raise funds when needed, as demonstrated by its successful rights issue to finance the acquisition of Inmobiliaria Colonial.

After reviewing Grupo Inmocaral S.A.'s stated objectives and intentions, the Board of Directors unanimously agreed that the Offer would preserve SFL's identity and the integrity of its assets, as well as its growth potential, and would not have any negative implications for the Company's employees. In light of the foregoing, the Offer may be considered as offering real benefits for the Company and its employees.

Concerning the benefits of the Offer for shareholders, after reviewing the conclusions of the Company, its financial advisors and the independent expert appointed to issue a fairness opinion, the Board of Directors found that:

- Although the price offered by Grupo Inmocaral S.A. does not necessarily reflect SFL's full potential for shareholders, it is in line with the Company's NAV including transfer costs at 30 June 2006 (taking into account the asset sales agreed since that date) and represents a premium to prices determined using the customary valuation criteria, i.e., share price, comparable companies and acquisition comparables.
- SFL's financial advisors, Calyon and UBS, concluded that the offer was fair to SFL shareholders.
- Dominique Ledouble, the independent expert appointed to issue a fairness opinion in accordance with the AMF's general regulations, Article 261-1, concluded that the Offer's terms were fair to SFL shareholders from a financial standpoint.

As a result, the Board of Directors unanimously agreed that Grupo Inmocaral S.A.'s offer represents a good opportunity for shareholders who choose to cash in their shares, depending on their individual investment choices, and recommended that shareholders either sell, tender or not tender their shares based on their personal priorities.

The Board of Directors decided not to tender SFL's 249,067 treasury shares to the offer.

Prédica, a Crédit Agricole insurance company and director of SFL that owns 4,126,400 shares representing 9.58% of the issued capital and 9.64% of the voting rights, has indicated that it intends to reduce its interest in SFL, as part of its property investment strategy, while continuing to support the Company's development. Prédica will continue to hold at least 5% of the Company's issued capital and will retain its governance and other rights under the shareholder's pact signed with Colonial on 24 November 2004 and published on 7 December 2004.

All of the Directors other than those representing the majority shareholder have indicated that they intend to retain at least some of their shares.

The Board of Directors granted the Chief Executive Officer full powers to finalise and sign SFL's draft response to the Offer."

## 2. EXTRACT FROM THE INDEPENDENT EXPERTS' FAIRNESS OPINION

“The following table shows the results obtained using different valuation methods and the premium represented by the Offer price of €55.7 per SFL share.

Criteria	Range	Average	Offer Premium
<b><i>SFL Indicators</i></b>			
• Closing share price on 5 June 2006	€44.1	€44.1	26.3% for info.
• NAV at 30 June 2006	€49.1	€49.1	13.4%
• Adjusted NAV at 30 September 2006	€51	€51	9.2%
<b><i>Trading comparables</i></b>			
• Premium to NAV	€54 - €56.5	€55.3	0.7%
• Multiple of 2005 current cash flow	€55.5 - €56	€55.8	- for info.
• Multiple of 2006 current cash flow	€40.3 - €41	€42	32.6%
<b><i>Acquisition comparables</i></b>			
• Premium to NAV	€56.3 - €60.4	€58.4	- 4.6 %
• Cash flow multiple	€30.2 - €30.9	€30.6	82.0% for info.

For the reasons outlined above, the premiums calculated on the closing share price on 5 June 2006, on cash flow multiples for acquisition comparables and on multiples of 2005 current cash flow are for information only.

On the other hand, it is clear that:

- The different NAV-based methods value SFL shares at a price close to the Offer price.
- The cash flow multiples for acquisition comparables method shows a very significant premium.

Although we believe that the cash flow valuation cannot be used as is, the results obtained by this method lead us to believe that a smaller premium to NAV should be applied, because the Offer has been launched in 2006, a year in which the Company's current cash flow is significantly lower. In addition, SFL's deal pipeline, as of the date of the current Offer, is significantly smaller than for other property companies.

Based on our analyses, we believe that the price of €55.7 per SFL share, cum dividend, which Grupo Inmocaral plans to offer SFL shareholders in its simplified public Offer, allows shareholders to cash in their shares at a price that is close to the values obtained using NAV-based valuation methods and is reasonable considering the terms of the Offer and SFL's fundamentals.

### **Fairness Opinion**

The price of €55.7 per share offered by Grupo Inmocaral to SFL minority shareholders is fair.

Signed in Paris on xx November 2006.  
Dominique Ledouble”

### **3. DOCUMENTATION RELATING TO THE OFFER**

SFL's draft information memorandum in response to the Offer can be downloaded from the AMF website ([www.amf-france.org](http://www.amf-france.org)) and the SFL website ([www.fonciere-lyonnaise.com](http://www.fonciere-lyonnaise.com)). Paper copies can be obtained free of charge from SFL, 151, rue Saint-Honoré, 75001 Paris.

The draft information memorandum issued by Grupo Inmocaral can be downloaded from the AMF website ([www.amf-france.org](http://www.amf-france.org)) and the Grupo Inmocaral website ([www.grupoinmocaral.com](http://www.grupoinmocaral.com)). Paper copies can be obtained free of charge from Goldman Sachs International c/o Goldman Sachs Paris Inc. et Cie, 2, rue de Thann, 75017 Paris.

SFL's information memorandum in response to the Offer, as approved by the AMF, and other information relating to the Company (particularly legal, accounting and financial information), including the Company's Registration Document and an update filed with the AMF, will be available to the public free of charge from SFL's registered office - 151, rue Saint-Honoré, 75001 Paris and from the Company's registrar. Before the Offer opening date, a press release describing how these documents can be consulted will be published in a national business newspaper.

The Grupo Inmocaral information memorandum approved by the AMF and other information relating to Grupo Inmocaral (particularly legal, accounting and financial information) will be available to the public free of charge from the registered office of Goldman Sachs International c/o Goldman Sachs Paris Inc. et Cie. Before the Offer opening date, a press release describing how these documents can be consulted will be published in a national business newspaper.

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*This is a free translation of the original press release in French.*