



PRESS RELEASE - FOR IMMEDIATE PUBLICATION

Financing of Foncière Paris France's Acquisition of SNI's Commercial Property Business

PARIS, 17 November 2010

1 - PROCESS FOR THE ACQUISITION OF SNI'S COMMERCIAL PROPERTY BUSINESS

On 30 July, Foncière Paris France and Société Nationale Immobilière (SNI), the Caisse des Dépôts et Consignations' public housing subsidiary, announced the signature of a letter of intent covering the acquisition by Foncière Paris France of SNI's commercial property business.

The commercial property business to be sold by SNI comprises:

- A portfolio of six (6) rental properties representing a total of approximately 48,000 square meters and the related rights, such contribution being globally valued (*valeur économique globale d'apport*) at around €160 million.
- Bank financing for the above assets, representing outstanding debt of €88.5 million excluding accrued interest.
- A contract for the management of eighteen (18) buildings classified as returnable assets (*biens de retour*) of the City of Paris.
- A 17-member asset and property management team.

The above-defined business will be transferred by SNI to a company created for this purpose, named Sagi Immobilier d'Entreprise, which will then be acquired by Foncière Paris France at the end of the year.

2 - DESCRIPTION OF THE COMMERCIAL PROPERTY BUSINESS TO BE TRANSFERRED

The asset portfolio held directly by Sagi Immobilier d'Entreprise will comprise the following properties:

- **Jemmapes**, 210 quai de Jemmapes, Paris 10 – a nine-storey building with two basement levels, comprising some 9,464 square meters of offices, 431 square meters of storage space and an 84-space parking garage, that is owned outright. The building was completed in 1993.
- **Jules Ferry**, 21/23 boulevard Jules Ferry, Paris 11 – a three-storey building and part of the adjacent building (three storeys), comprising some 1,524 square meters of office space (including in the basement) and five parking spaces, that are owned outright, including the common areas. The building was renovated in 2004.

- **Pouchet**, 31 rue Pouchet, Paris 17 – a six-storey building with two basement levels, comprising some 843 square meters of offices and an 18-space parking garage, that is owned outright. The building was completed in 1993.
- **Biopark**, a five-building complex including three designed for biotechnology companies and two office buildings located at 5 rue Watt, Paris 13. The five-storey buildings, each with one basement level, comprise a total of some 13,000 square meters of offices, 18,000 square meters of scientific laboratory space and a 32-space parking garage. The property was built and is being held under a construction lease (*bail à construction*) granted by the City of Paris with 50 years left to run. At the end of the lease, the City of Paris will take over the buildings without any compensation being due. The complex was completed in 2007.
- **Vauvenargues**, 141 boulevard Ney, Paris 18 – a six-storey factory building with one basement level, comprising a roughly 3,725-square meter production area and a 34-space parking garage. The property was built and is being held under a construction lease (*bail à construction*) granted by the City of Paris with 54 years left to run. At the end of the lease, the City of Paris will take over the building without any compensation being due. The building was completed in 2006.
- **Fillettes**, 16 rue Fillettes, Paris 18 – a three-storey building with one basement level, comprising roughly 1,813-square meters fitted out as a training facility. The property is held under a very long-term lease (*bail emphytéotique*) granted by the City of Paris with 30 years left to run. At the end of the lease, the City of Paris will take over the building without any compensation being due. The building was completed in 2004.

The buildings' characteristics are very similar to those of the properties held by Foncière Paris France within Paris. The portfolio's total appraisal value (excluding transfer costs) is estimated at €158.5 million. Based on the current rent roll, gross rental revenue is estimated at €16.8 million and net revenue before administration costs at €15.5 million for 2011.

The properties are let to some twenty tenants under commercial leases. The financial vacancy rate for the portfolio is currently 5.5%.

Outstanding bank financing for these assets will amount to around €88 million as of the date when the business is transferred to Sagi Immobilier d'Entreprise and to some €80 million when Sagi Immobilier d'Entreprise is acquired by Foncière Paris France.

Most of the financing (approximately €60 million) consists of instalment loans with long remaining repayment periods (18 years). The balance of the financing (around €20 million) is repayable over the medium term (7 years) and comprises a mix of instalment loans and bullet loans.

The current borrowing cost is estimated at 3% per year, based on current rates. Around half of the financing is fixed rate.

Foncière Paris France has stated that, post-acquisition, it will endeavour to limit the sensitivity of this borrowing cost to changes in base rates by using appropriate hedging instruments.

Sagi Immobilier d'Entreprise's LTV will stand at approximately 50% following its acquisition by Foncière Paris France and Foncière Paris France's consolidated LTV will remain below 45% at end-2010.

Sagi Immobilier d'Entreprise will also manage a portfolio of around twenty properties on behalf of SNI and/or the City of Paris under management contracts to be entered into with SNI.

This business is currently conducted by a 17-member team of asset managers and property managers who will be transferred to Sagi Immobilier d'Entreprise at the same time as the management contracts. The management fees received from the owners of the properties will cover 60% to 70% of Sagi Immobilier d'Entreprise's total operating costs.

3 - FINANCING OF FONCIERE PARIS FRANCE'S ACQUISITION OF SAGI IMMOBILIER D'ENTREPRISE

Foncière Paris France plans to carry out the following issues to finance the acquisition of Sagi Immobilier d'Entreprise:

3.1 - Equity note issuances (Subordinated bonds redeemable in shares)

The Board of Directors of Foncière Paris France has called an Ordinary and Extraordinary General Meeting on 24 November 2010 to ask shareholders to authorize equity note issuances (subordinated bonds redeemable in shares – BRS) (*Obligations Subordonnées Remboursables en Actions – OSRA*).

The shareholders shall be asked to authorize the following issuances, to be implemented upon the ground of delegation of powers granted to the Board of Directors:

- (i) a first equity note issuance, incurring a waiver by the shareholders of their pre-emptive rights, for the benefit of several namely designated entities, up to a maximum amount of eighty nine millions nine hundred and ninety nine thousand six hundred and ninety euros (89.999.690 €) with the issuance of eight hundred and eighteen thousand one hundred and seventy nine (818,179) BRS, under the provisions of the third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, and eleventh resolutions (as published in the Bulletin des Annonces Légales Obligatoires dated 5th November 2010); and
- (ii) a second equity note issuance, incurring a waiver by the shareholders of their pre-emptive rights, for the benefit of a category of entities bearing the same characteristics (qualified investors), up to a maximum amount of nine millions nine hundred and ninety nine thousand and nine hundred ninety euros (9.999.990 €), under the provisions of the thirteenth and the fourteenth resolutions (as published in the Bulletin des Annonces Légales Obligatoires dated 5th November 2010).

These issuances' final terms and conditions will be decided at a meeting of the Board of Directors scheduled for 2 December 2010.

The main terms and conditions, applicable to both issuances, are as follows:

- The BRS will be issued at a price of €110.
- The BRS will have a seven (7) year life and each BRS will be redeemable at maturity for one Foncière Paris France share.
- BRS holders may elect to redeem BRS for shares on each anniversary of the issue date based on the pre-determined exchange ratio.
- The BRS will pay interest at a fixed rate of 6.5% over the first four (4) years, and at an amount equal to the dividend paid on Foncière Paris France shares or 2%, whichever is higher, over the next three (3) years.
- When the BRS mature, if the Foncière Paris France share price is less than the BRS's issue price, the Company may, depending on the case:
 - Pay additional interest if the share price is between €100 and €110.
 - If the share price is less than €100, either adjust the exchange ratio or redeem the notes for cash, at the Company's discretion.

Foncière Paris France does not intend to apply to the French securities regulator (Autorité des Marchés Financiers - AMF) to have the notes admitted to trading on a regulated market. Nevertheless, a securities note will be issued and submitted to the AMF for approval on timely basis in order to prepare the admission to trading of the shares to be received by BRS holders when the BRS are redeemed.

Once shareholder approval for the BRS issue has been obtained at the Extraordinary General Meeting on 24 November, at its meeting on 2 December the Board of Directors will set the subscription period for the BRS. It shall also have the necessary powers in order to decide, as the case may be, to implement the issuance referred to under paragraph (ii) above reserved for the benefit of qualified investors (including setting the name of the beneficiaries and the number of BRS for each beneficiary).

The BRS issuances referred to above are expected to have the effect of increasing Foncière Paris France's equity by around €90 million to €100 million, while the acquisition of the entire capital of Sagi Immobilier d'Entreprise will result in a cash outflow of around €84 million (corresponding to the acquisition price and related fees, expenses and transfer taxes).

3.2 - Issue of Foncière Paris France stock warrants

At its meeting scheduled for 2 December, the Board of Directors of Foncière Paris France will also use the authorization given by shareholders at the Annual General Meeting of 16 March 2010 (ninth resolution) to grant stock warrants to all current shareholders on the following basis:

- Each shareholder will receive one warrant for each Foncière Paris France share held. The warrants will be exercisable over a period of three years on the basis of ten (10) warrants for one (1) new share at a price of €110.
- The warrant issue will be described in a securities note that will be submitted to the AMF for approval on a timely basis in order to prepare the admission to trading of the warrants.

For information, the total nominal value of the deferred capital increase that may result from the exercise of all the stock warrants to be issued is around 8.5 million euros.

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The management of Foncière Paris France has stated that the stock warrant grants are designed primarily to enable existing shareholders to increase their stake in the Company within the next three years at a price comparable to the issue price set for the BRS. This will limit the immediate dilutive impact of the increase in equity resulting from the BRS issue that is not open to existing shareholders.

Foncière Paris France's management has also stated that various financial simulations have been presented to the Board of Directors, showing that the planned acquisition will have an accretive impact on the Company's future current cash flow per share and NAV per share.

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ABOUT FONCIÈRE PARIS FRANCE

Foncière Paris France is an SIIC specialized in commercial real estate in the greater Paris region. The Company was founded in May 2005 by Jean-Paul Dumortier, President of the Fédération des Sociétés Immobilières et Foncières.

Foncière Paris France is listed on the NYSE Euronext (Paris), Compartment B, and is included in the CAC Small 90 and SBF 250 indexes (symbol: FPF; ISIN: FR0010304329).

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