



Quarterly business report¹
3rd quarter 2010
3 November 2010

Over the quarter, Foncière PAREF continued to focus its efforts on deriving value from its property assets and developing its management on behalf of third parties business. The quarter was also marked by the launch of capital increase in cash for €4.6 million, which was finalised in October.

1 – Property portfolio and Group debt

1.1 Property portfolio

Movements in the property portfolio since 1 January were as follows:

- As part of its Property dealings business, the Group sold, through its fully-owned subsidiary SCI de la Place, the building of a hotel/restaurant in Lisieux for €0.9 million, thereby generating a €0.2 million capital gain in its consolidated financial statements.
- A 2,600 m² office and business facility building constructed in Vitry sur Seine on behalf of Coliposte, a subsidiary of La Poste, was delivered at the end of January. A 6-year firm lease was signed with Locaposte against rent of €350 thousand.
- PAREF contributed 8 buildings to SCPI Interpierre, managed by PAREF Gestion, with effect from 1 July. The transaction related to office space and business premises totalling 36,403 m², with overall potential rental income of €3 million and an occupancy rate of 85.5%. Assets were valued at €27.4 million before deducting bank loans (€19.1 million), being a net value of €8.3 million.

PAREF holds 80% of the SCPI share capital following the contribution, which led to fully consolidating the SCPI in the consolidated financial statements. Consequently, the 5 buildings already owned by the SCPI prior to the transaction were included in the group structure from 1 July. These 5 buildings have an appraised value of €7.7 million and generate annual rent of €0.8 million.

The Group's property portfolio was valued at €206 million at the end of September 2010, including €7.7 million relating to the integration of SCPI Interpierre. This figure also comprises €1.8 million in other SCPI shares held by the Group (excluding the consolidated SCPI Interpierre), recognised as financial assets in the IFRS balance sheet, and €7.0 million in the Vivapierre OPCl shares, of which PAREF holds 27% of the capital and which are equity accounted.

1.2 Financial debt

Aside from the regular amortisation of the capital of borrowings taken out to finance property assets, the main movements since 1 January include the repayment of the Investec loan (€3 million) and the renewal of the overdraft facility by the CIC bank, which was increased from €2 million to €3 million (€0.8 million had been drawn down at 30 September). The €4.6 million cash capital increase finalised on 25 October will allow a significant reduction in Group debt

Financial debt (including overdraft facilities) totalled €129 million at 30 September 2010 before the integration of Interpierre, a decline of €2.5 million compared to 30 June. Following the integration of Interpierre, consolidated financial debt amounted to €133.2 million. The ratio between consolidated debt (net of escrow accounts held as loan security) and the value of property assets, taking account of

¹ (Unaudited data)

the property assets of Interpierre and SCPI and OPCI shares ("LTV" ratio), was thus 63.3% at the end of September, compared to 64.2% at the end of June.

After the capital increase, consolidated financial debt was €129.5 million. The LTV ratio, as defined above, was thus 61.5%.

The Group's bank borrowings were either contracted at a fixed rate or at a capped variable rate. At 30 September 2010, 100% of outstanding debt was at a fixed rate or hedged by a swap, except for short-term loans and 2 other loans which represented a total of €5.9 million (being 4.5% of outstanding debt).

2. – 4.7% revenue growth to 30 September

The quarterly consolidated revenue amounted to €6.5 million, compared to €6.4 million in the 3rd quarter 2009. Revenue for the first 9 months totalled €20.1 million, up 4.7% compared to €19.2 million over the corresponding period of 2009.

Revenue (€thousands)	Q3 2010	30 Sept. 2010 (9 months)	30 Sept. 2009 (9 months)	% Change
Rent and costs recovered	5,673	16,799	16,925	(0.7%)
residential	810	2,348	2,291	2.5%
commercial	4,863	14,451	14,634	(1.3%)
Management fees	845	2,411	2,277	5.9%
Total recurring activities	6,518	19,210	19,202	0.0%
Property dealing	0	900	0	ns
IFRS consolidated revenue	6,518	20,110	19,202	4.7%

2.1 – Rental income stable due to the integration of Interpierre

Rent and costs recovered during the 3rd quarter totalled €5.7 million, unchanged compared to the same period last year. Over the first 9 months, rent and costs recovered declined by 0.7% to 16.8 million.

The 4.7% decline in rental income on a comparable group structure basis was offset by the integration of SCPI Interpierre and rent from the new Vitry building rented out to La Poste.

The occupancy rate remained stable since the start of the year at 90%, compared to 95% at the end of September 2009.

2.2 – Recovery in the management on behalf of third parties business

Management fees from third parties totalled €0.85 million in the third quarter, a 12% increase compared to the same period of 2009.

Over the first 9 months of the financial year, the Group generated €2.4 million in fees, compared to €2.2 million to 30 September 2009. Excluding the €0.2 million overperformance commission recognised in 2009 following the launch of Vivapierre, the growth in management fees was particularly significant (up 20%).

This performance was due in particular to improved market conditions for raising capital. SCPI subscriptions are thus picking up and recurring OPCI management fees increased, primarily due to

Vivapierre, which finalised a major works programme early in 2010 in its holiday villages, and to Naos (shopping centres).

At 30 September, the assets managed by PAREF GESTION (including those of the PAREF Group) totalled €641 million (compared to €622 million at 31 December and €584 million 12 months ago). Out of this total, assets managed on behalf of SCPIs and OPCIs amounted to €282 million and €142 million, respectively. The capitalisation of SCPI Novapierre grew by 11% since 1 January; the significant movement of Interpierre was due to the contribution carried out by PAREF on 1 July (see section 1 above).

The assets managed by PAREF GESTION at 30 September 2010 (including those managed on behalf of the Group) may be analysed as follows:

ASSETS MANAGED BY PAREF GROUP

Capital under management	30 Sept. 2010		31 Dec. 2009		Change	
	m ²	€ thousands	m ²	€ thousands	m ²	€ thousands
Groupe PAREF (1)	247,401	205,559	235,317	191,426	5%	7%
Interpierre	47,624	15,501	11,617	5,167	310%	200%
Novapierre 1	22,176	58,763	22,176	52,706	0%	11%
Pierre 48	51,792	207,477	52,238	211,504	(1%)	(2%)
Total SCPI (2)	121,592	281,740	86,031	269,377	41%	5%
Vivapierre (1)	53,833	113,840	53,833	108,850	0%	5%
Naos	5,982	28,200	5,982	27,300	0%	3%
Total OPCI	59,815	142,040	59,815	136,150	ns	ns
Third parties	13,524	28,112	13,524	25,459	0%	10%
Usufructs counted twice (3)	(16,661)		(16,661)			
Interpierre (4)	(47,624)	(15,501)				
Grand total	378,047	641,950	378,026	622,412	0%	3%

(1) appraised value of assets at 30 June

(2) capitalisation at 30 September based on the share issue prices at that date

(3) floor areas counted both by Pierre 48 (bare owner) and PAREF or third party management (usufruct).

(4) value included twice in PAREF Group (consolidated data) and the SCPI

3 – Capital increase

On 25 October, PAREF finalised a capital increase of €4.575.000 (share premium included), through the issue of 91,500 shares with no pre-emption rights as part of a private placement; this transaction, which came within the framework of the delegation of authority approved by the Annual General Meeting of 19 May 2010 in its 17th resolution, represented just under 10% of the capital prior to the issue. The subscription price was set at €50 (€25 share premium included), which was in excess of the average price of the last 3 and last 20 trading days of the PAREF share that preceded 4 October, the date of the Management Board's decision to launch this issue.

The number of shares comprising the share capital of the Company thus increased from 915,753 to 1,007,253.

4 – Outlook

The €4.6 million capital increase enables PAREF Group to strengthen its financial position and to accelerate the development of its management on behalf of third parties business. The funds raised will also be used by PAREF to participate on an equity level in the launch of new institutional funds managed by PAREF Gestion, primarily in OPCIs, in order to fully play its role as a sponsor.

Over the coming months, PAREF Group will continue to implement its growth strategy, which will be based on:

- Selective and cautious development of its asset portfolio through transfers and indirect investments, via minority shareholdings in OPCIs launched by Paref Gestion, depending on the opportunities that arise,
- Continuation of the arbitration policy,
- Development of management of OPCIs, with the planned creation of new dedicated or tailored vehicles, following Vivapierre, Polypierre and Naos;
- Development of management of SCPIs in particular, at a time when long-term savings attract renewed interest from private individuals; the resizing of Interpierre, due to the transfer transaction carried out, provide Paref Gestion with a comprehensive range of well-positioned SCPIs in their respective markets: Pierre 48 (housing), Novapierre (stores) and Interpierre (office space and business premises).
- Implementation of existing synergies between the two business streams: Investments and management on behalf of third parties.