PAREF

VOTRE CAPITAL PIERRE

Quarterly business report (1)

3rd quarter 2012

8 November 2012

During the first nine months of 2012, Foncière PAREF pursued its selective disposal and debt reduction policy and continued to seek to increase the value of its property assets and develop its management on behalf of third parties business.

1 – Property portfolio and Group debt

1.1 Property portfolio

The Group continued its selective disposal policy in relation to mature or unsuitable assets to take advantage of market opportunities.

The following changes have affected the consolidated group structure since 1 January:

- On 11 January 2012, an undertaking to sell was signed in relation to the Gentilly building for € 5.45 million. A condition precedent applies involving the granting of planning permission free and clear of any legal encumbrances.
- On 5 February 2012, an emphyteutic lease contract was signed with France Télécom for one symbolic euro in relation to a building lot located on Rue Berger in Paris, adjacent to 2 lots already owned by PAREF. All 3 lots were sold in May 2012 for a net sales price of € 9.97 million.
- On 15 March 2012, GA Promotion acquired 50% of the share capital in Watford, with PAREF retaining 50% of the shares. As part of this transaction, Watford signed a works contract with GA Entreprise for the launch of the construction of the "Le Gaïa" building (see below).
- On 11 July 2012, an undertaking to sell was signed in relation to the Rueil – Malmaison building for € 3.3 million, subject to planning permission being granted free and clear of any legal encumbrances. The purchaser will pay vacancy compensation of € 15 thousand / month from the date La Poste vacates the premises until 1 June 2013, which is the date the deed of sale is due to be signed.
- On 20 September 2012, the sale of a 398 m^2 office complex of the Clichy / Pouchet building, valued at € 0.5 million, was signed.

Based on appraised values of the buildings at 30 June 2012, the Group's property portfolio was valued at € 165 million at the end of September 2012, compared to € 179 million at the end of December. This includes SCPI and OPCI shares valued at €10.2 million, based on share prices at 30 September.

The decline in the value of the Group's property portfolio was primarily due to the afore-mentioned transfer of 50% of shares in Watford to GA Promotion and the sale of the Paris-Berger building.

[1] Chiffres non audités

During the 2nd quarter, PAREF and GA Promotion also launched the construction of the "Le Gaïa" building in Nanterre. An amended planning permission application was filed during the summer with no impact on the construction time of the building, which is expected to be delivered at the end of the summer of 2013. The project has been awarded *HQE ® NF Bâtiments Tertiaires - Phase Programme* certification (high environmental quality – commercial buildings) under n° NF380/12/920.

1.2 Financial debt

At 30 September, the Group had total financial debt of € 85.2 million, compared to € 87.7 million at 30 June 2012 and € 102.1 million at 31 December 2011. The € 2.5 million decline compared to 30 June 2012 included loan repayments of € 2.0 million and the repayment of a short-term debt of € 0.5 million.

After taking account of escrow accounts of € 2.7 million and cash and cash equivalents of € 16.8 million, net financial debt was € 67.6 million.

The LTV ratio, net of cash and cash equivalents and escrow accounts and calculated based n IFRS financial statements, was 40%, which was lower than at the end of June (41%).

In April, the equity-accounted company Watford (of which Paref and GA Promotion own 50% each), signed for a bank loan of € 19 million to start the construction of an 11,000 m^2 HQE/BBC office building named "Le Gaïa". € 0.8 million had been drawn down at 30 September. After taking account of Paref's share of Watford's funding, the LTV ratio was 40%, identical to that calculated under the IFRS framework.

2. – Revenue

Revenue for the 3rd quarter of 2012 was € 5.5 million, compared to € 8.3 million for the same period of 2011. This decline was due to the disposal of assets carried out in 2011/2012 and a decrease in SCPI fundraising in light of an exceptional 3rd quarter 2011 in this respect.

Cumulative revenue for the first 9 months of the 2012 financial year was € 18.2 million, a decline of 19.5% compared to the first 9 months of 2011.

Revenue (€ millions)	Q3 2012	Q3 2011	30 Sept. 2012 (9 months)	30 Sept. 2011 (9 months)	% change
Rent	3.4	4.3	11.00	13.00	-15.4%
Costs recovered	0.9	0.8	2.6	2.7	-2.5%
Total	4.3	5.0	13.7	15.7	-13.1%
residential	0.5	0.8	2.00	2.3	-14.7%
commercial	3.8	4.3	11.7	13.4	-12.9%
Management fees	1.2	3.3	4.6	6.9	-34.0%
Consolidated IFRS revenue	**5.5**	**8.3**	**18.2**	**22.7**	**-19.5%**

2.1 - Decline in rental income following selective disposals in 2011 and 2012

- Rent and costs recovered for the first nine months declined by 13.1% to € 13.7 million. This change was primarily due to selective disposals carried out in 2011 and 2012. On a constant group structure basis, rental income declined by 1.6%. Changes were due to:
  - The disposal of buildings carried out in 2011 and 2012, which had a negative impact of € 1.4 million (Roule, Rivoli, Les Ulis and Parmentier buildings sold in 2011 and Berger building sold in the first half of 2012),
  - The maturity of the Bastille, Saint Antoine, Maurice de Fontenay and Lafayette buildings' usufructs, accounting for a negative € 0.4 million,

- The renegotiation of leases, for a negative € 0.4 million (Vaux le Pénil, Bondoufle and Croissy Beaubourg buildings, specifically), offset by lease term extensions,
- Rent indexing, for a positive € 0.3 million, and the settlement of various charges, for a negative € 0.1 million.

- The occupancy rate was 91% at the end of September, a clear improvement compared to 88% at the end of June. After restatement for properties for which an undertaking to sell has been signed (Fontenay, Gentilly and Rueil Malmaison), this rate was 95%. However, it should be noted that the Saint Maurice property will be vacated as from 31 December 2012.

- The property portfolio and its tenant structure continued to improve. Having signed 15 new commercial leases during the first half of the year, SIIC PAREF and SCPI Interpierre concluded 4 new leases during the 3rd quarter. In this respect, the La Houssaye site now boasts an occupancy rate of 100% under a 6-year firm lease.

<u>2.2 – Management on behalf of third parties: lower SCPI fundraising but increase in recurring management fees</u>

Recurring SCPI management fees (fees from assets under management) grew in excess of 14% to € 1.4 million, as a result of growth in managed assets (€ 622 million at 30 September 2012, compared to € 576 million at 31 December 2011 (see below).

During the first 9 months of 2012, SCPIs managed by PAREF GESTION (Pierre 48, Novapierre and Interpierre) collected almost € 37 million, compared to € 70 million during the same period of the previous year, including € 35 million in the 3rd quarter of 2011 only, which was a record figure. Nevertheless, fundraising was higher than in the same period of 2010 (€ 37 million, compared to € 31 million) and other prior years.
Therefore, subscription fees (excluding Interpierre which is consolidated) were € 2.4 million (compared to € 5.2 million for the same period of 2011).

OPCI management fees (Vivapierre and Naos, excluding Polypierre which is consolidated) totalled € 0.6 million (compared to € 0.4 million during the year to 30 September 2011).
The transfer of OPCI Naos to the new management company took effect on 15 October 2012. Recurring management fees related to Naos represented € 0.1 million in 2011.

It should also be noted that at its last Annual General Meeting, SCPI Capiforce Pierre selected Paref Gestion as its management company to replace its former manager. The transfer process of SCPI Capiforce is in progress, with the new commission taking effect as of 1 January 2013. This transfer will mean an increase of approximately € 50 million in assets under management and recurring management fees of approximately € 0.3 million annually.

Assets under management at 30 September 2012 may be analysed as follows:

ASSETS MANAGED BY PAREF GROUP

Capital under management	30 Sept. 2012		31 Dec. 2011		% change	
	m^2	€ thousands	m^2	€ thousands	m^2	€ thousands
Paref Group (1)	**230,787**	**154,917**	**233,967**	**169,368**	**-1%**	**-9%**
Interpierre	47,779	23,442	47,779	19,669	0%	19%
Novapierre 1	48,254	142,492	35,859	130,798	35%	9%
Pierre 48	52,668	278,117	52,660	258,043	0%	8%
Total SCPI (2)	**148,701**	**444,051**	**136,298**	**408,510**	**9%**	**9%**
Vivapierre (1)	53,833	118,500	53,833	116,975	0%	1%
Naos (1)	5,982	40,100	5,982	40,000	0%	0%
Total OPCI	**59,815**	**158,600**	**59,815**	**156,975**	**0%**	**1%**
Third parties	**11,069**	**19,096**	**5,593**	**10,768**	**98%**	**77%**
Unsufructs counted twice (3)	(8,915)		(16,661)			
Interpierre (4)	(47,779)	(23,442)	(47,779)	(19,669)		
Grand total	**393,678**	**753,222**	**371,233**	**725,952**	**6%**	**4%**
Incl. management on behalf of third party	***219,585***	***621,747***	***201,706***	***576,253***	***9%***	***8%***

(1) appraised value of assets at 30 June 2012 (except for OPCIs)
(2) capitalisation at 30 September based on share issue prices at that date
(3) floor area counted both by Pierre 48 (bare owner) and Paref or third party under management (usufruct)
(4) value counted both by Paref Group (consolidated data) and the SCPI

4 – Outlook

The capital increase carried out last June will allow the Paref Group to resume investment via minority shareholdings in OPCIs launched by Paref Gestion, as previously announced. The Group will also seek opportunities to create OPCI RFAs, solely as a service provider.

The thriving SCPI market also offers excellent opportunities given Paref's historical presence in this field. Paref Gestion's comprehensive range (housing with Pierre 48, a capital gain SCPI, retail outlets with Novapierre, a high-yield SCPI, and offices/business premises with Interpierre) means the Group can meet strong demand from private investors, which should be sustainable in light of the trend in financial markets.
Novapierre, which invested € 19.6 million during the 3rd quarter and € 26.6 million during the first 9 months of the year, will be in a position to resume its expansion. Furthermore, Pierre 48 delivered a solid performance during the year and remains extremely attractive in the current fiscal environment. Lastly, Interpierre has announced that it will soon resume its investments.

The transfer of SCPI Capiforce's management to Paref Gestion is in progress, with the new commission taking effect as of 1 January 2013. This will generate an increase in managed assets and a broader client base.

Lastly, investment in the "Le Gaïa" building will move the Group's own property portfolio upmarket. An active policy to dispose of selected mature or unsuitable assets will be continued with the intention of refocusing the asset portfolio on office buildings that comply with new environmental standards and implement high added-value schemes, as is the case with "Le Gaïa".

PAREF shares have been listed on Eurolist Compartment C of the European Paris Stock Exchange since December 2005
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